



FY 2000-01 through FY 2004-05

January, 2006

Prepared by the City of Greensboro, Budget & Evaluation Department

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National and Regional Data

External economic conditions have an impact on the City of Greensboro's financial environment. Conditions within the United States, the State of North Carolina, and the Triad are important early indicators of possible changes to the local economy.

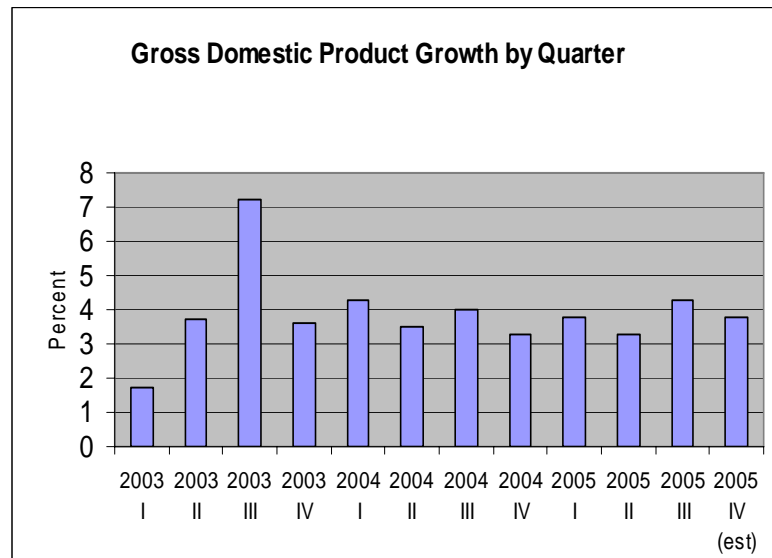
THE UNITED STATES

The U.S. economy demonstrated steady growth throughout 2005, despite a variety of potential stumbling blocks, including rising interest rates and rising food and energy costs. The Federal Reserve noted in its November 2005 survey of the central bank's twelve districts that virtually all districts were demonstrating at least some positive economic activity in manufacturing, consumer spending, agriculture and other business activity. The report did note that lending activity had slowed in about half of the bank's districts and that most districts were reporting declines in auto sales.

Gross Domestic Product

The broadest measure used by economists to gauge economic activity is Gross Domestic Product (GDP). GDP measures the total value of goods and services produced during a specific time period. GDP increased at an annual rate of 4.3% in the third quarter of 2005. This was the strongest quarterly growth rate for GDP since the first quarter of 2004. Faster growth in consumer spending and

Federal Government spending were cited by the US Department of Commerce as the primary components of the third quarter increase.

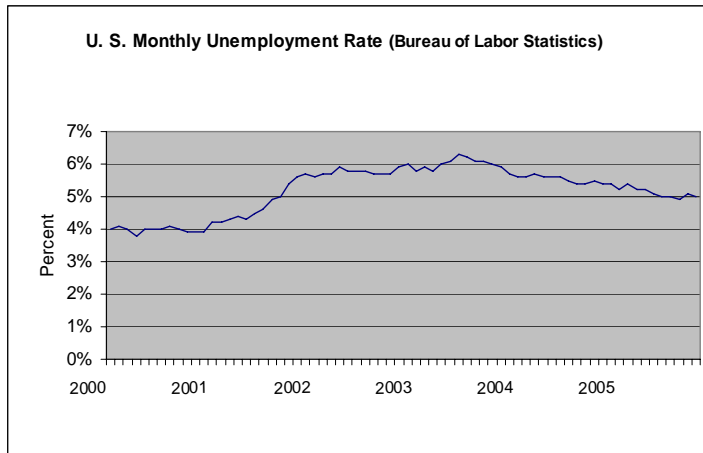


It is difficult to track the GDP impacts of natural disasters such as Hurricanes Katrina and Rita. For example, the rebuilding activity that will inevitably follow such events may occur over many months and years following the disaster and will be typically reflected in regular source data used to estimate residential and commercial investment. It will not be segregated from other construction activity. Economic forecasters such as *The Economist* and the Congressional Budget Office, project 3% -4% GDP growth for 2006. Some observers worry, however,

that job and overall economic expansion will be hurt by a slowing housing market in 2006 and that GDP gains may be slower than what has transpired in 2005.

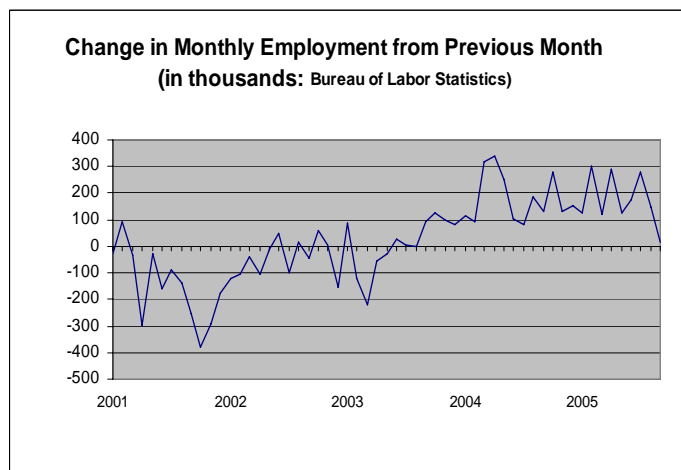
Labor Markets & Unemployment

Throughout 2005, the national economy produced some new job growth while the national unemployment rate hovered around 5% throughout the year. This rate was an improvement from the 6% rates seen in 2003. But, this current unemployment rate is still higher than rates seen in 1999 and 2000. Based on Bureau of Labor Statistics, there are approximately 7.6 million adults out of work as of November 2005. In contrast, there were about



5.6 million people out of work in December 2000, a few months prior to the start of the last recession.

While manufacturing output and activity have shown some recent improvement (discussed later in this report), employment figures released by the Bureau of Labor Statistics in November 2005 revealed that manufacturing still struggles nationally to retain jobs. Since August 2004, a total of 122,000 jobs have been lost in manufacturing. One

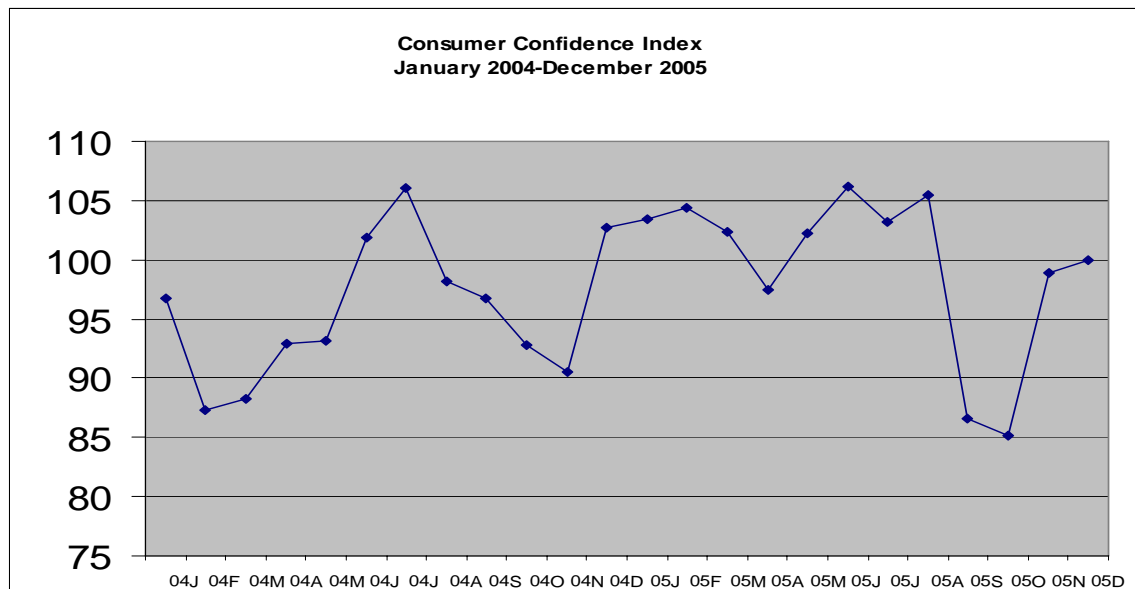


encouraging sign is that the manufacturing sector did add jobs in October 2005 after seven consecutive months of job losses. Financial Services and Health Care industries continue to account for considerable amount of any new jobs created. Most prognosticators expect minor improvement for overall employment conditions in the country during 2006. The Congressional Budget Office (CBO) anticipates that the national unemployment rate will average 5.2% throughout 2006, while the Federal Reserve Bank is more optimistic, projecting a national unemployment rate of 4.9%.

In general, workers saw some improvement in pay as compared to 2004. Average pay for U.S. workers increased 3.2% from November 2004 to November 2005 as compared to an average increase of 2.5% in the previous twelve months.

Consumer Confidence

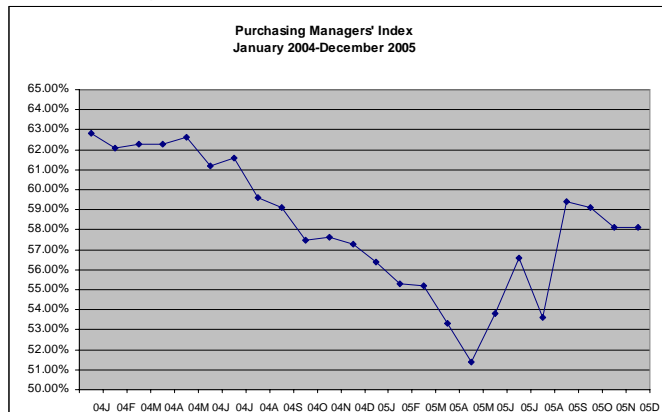
Consumer confidence has varied greatly during the fall of 2005, often in sync with other economic pressures. In the aftermath of the hurricane season's destruction, consumer confidence as measured by The Conference Board, a private research group, fell sharply both in September and October. Dramatically increased fuel prices, anticipated increases for further fuel cost crunches in winter time and a labor market perceived as weakening all tending to drive down consumer confidence and lead some economists to forecast weak holiday spending. By November, however, relieved to see gas prices lowering, consumers confidence actually rebounded somewhat, although it still remains at below pre-Katrina levels. The University of Michigan Survey of Consumer Sentiment echoed the findings of The Conference Board, citing an improved consumer confidence in November after a summer and early fall of declining confidence. Likewise, the Michigan survey reported that consumer confidence, while improved, was still well below where it ranked a year ago.



Business Activity/Housing

Hurricane related recoveries and the resolution of a strike at a major aircraft producer have helped boost industrial activity during the fall of 2005. Over a twelve month period, (October 2004 to October 2005) manufacturing production as measured by the Federal Reserve increased by 3.2%. The Federal Reserve noted in a November report that manufacturing activity had increased in all Federal Reserve Districts (twelve total) except one. The Institute of Supply Management has reported similar positive activity with regards to manufacturing.

Its Purchasing Manager's Index (PMI), a composite index that considers such factors as factory production, new orders and inventories, reported that November 2005 represented the thirtieth consecutive month that economic activity in the manufacturing sector had increased. The PMI as reported for November 2005 was 58.1. A PMI in excess of 50% generally indicates that the economy is expanding, while a reading of less than 50% indicates it is contracting.



Although the November PMI signaled continued economic expansion, it indicated a slower rate of expansion from previous months. The report did comment, however, that businesses throughout the county were expressing concern over continued price increases for raw materials and other inputs required for

production.

The housing market, a major source of job creation in the past couple years, appears to be cooling. In November, the Commerce Department reported drops in both housing starts and building permits for new construction. A significant increase in new home sales in October 2005 is generally interpreted as buyers taking advantage of final opportunities to purchase new homes before interest rates increase again. Economists remain concerned and watchful as to the impact on overall economic growth and personal spending that a slowing housing market may have.

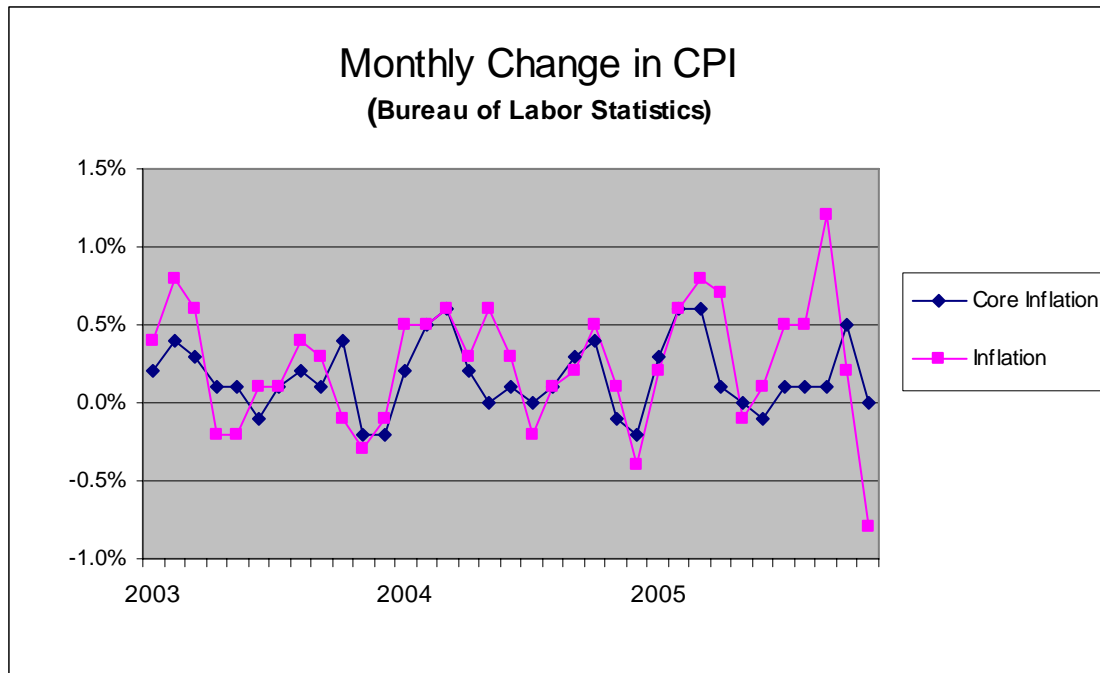
Inflation & Interest Rates

The Consumer Price Index (CPI) is a measure of the average change in prices over time for a specific group of goods and services. Also called the cost-of-living index, it provides an indication of how fast prices are rising or falling. The general rate of inflation for the time period of October 2004 to October 2005 was 4.3%, as documented by the Bureau of Labor Statistics. However within that general rate, specific inflation rates for particular consumer items varied greatly. For example, "core" inflation, which excludes the volatile categories of food and energy, rose at a rate of only 2.1% over the same time.

The Federal Reserve raised short term rates twelve times from June 2005 through November 2005, from 1% to 4%. The Federal Reserve continues to cite concern over inflation pressures, particularly the potential long term impacts a long lasting increase in the price of energy can have on the national economy. General wholesale and retail prices have increased notably during the past year.

Consumers and businesses alike will watch with great interest during 2006 to see if the Federal Reserve continues to adjust interest rates upward or be satisfied

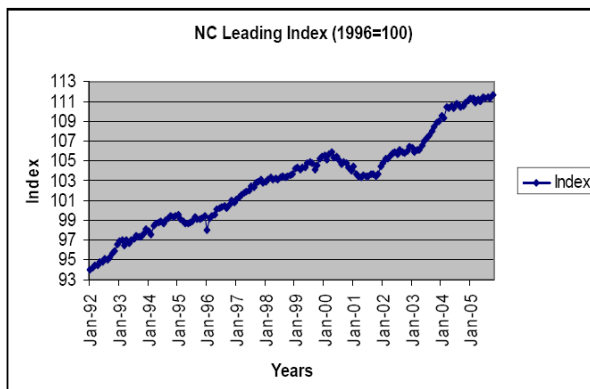
that previous rate increases were sufficient to ward off inflationary pressures and keep investors interested in dollar denominated investments.



NORTH CAROLINA

Much like the national economy, the North Carolina economy was something of a mixed bag during 2005. Employment growth was registered in some industries but the state unemployment rate matched or exceeded the national rate during most of the year. The total number of jobs in the state economy continued to be below levels prior to the 2001 recession.

Consumers helped the economy through retail sales that increased at a higher rate than in recent years. Real personal income growth through the first half of the year (second quarter 2005 data is the latest available) fell below state income growth for the same period last year but remained ahead of national personal income growth.



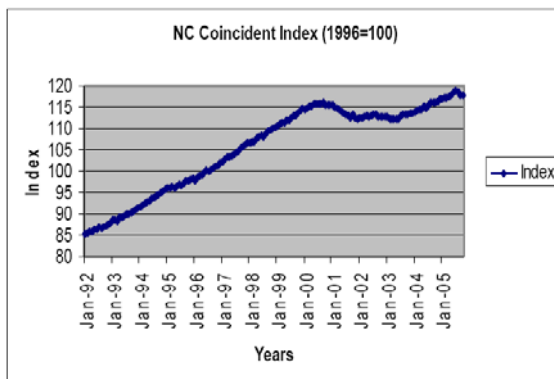
NC Coincident & Leading Indices

The Employment Security Commission of North Carolina prepares two indices – the NC Leading Index (NCLI) and the NC Coincident Index (NCCI) – to gauge present and future economic conditions.

The NCLI combines data from the US Leading Index and North Carolina manufacturing hours, initial unemployment claims, and residential building permits into an index that tends to project economic conditions in the near future. Declining economic conditions are projected if the six-month percent change in the NCLI is between 0% and -2.1%, with -2.1% indicating a severe decline. Positive conditions are forecast when the six-month percent change is between 0% and 2.1%, with 2.1% suggesting strong growth.

The NCLI recorded a 0.4% increase over the six month period of April to October 2005, predicting “weak” to “mild” growth in the state’s economy in the upcoming months. Slight increases in average hours worked in manufacturing throughout the state were credited with keeping the index in the “growth” category.

The Coincident Index (NCCI) uses data on nonagricultural employment, industrial production, and national retail sales to assess current conditions. A six-month percent change in the NCCI between -3.5% and 0% indicates conditions are currently declining, with -3.5% indicating severe decline. A percent change between 0% and 3.5% suggests improving conditions, with 3.5% signaling strong current growth.

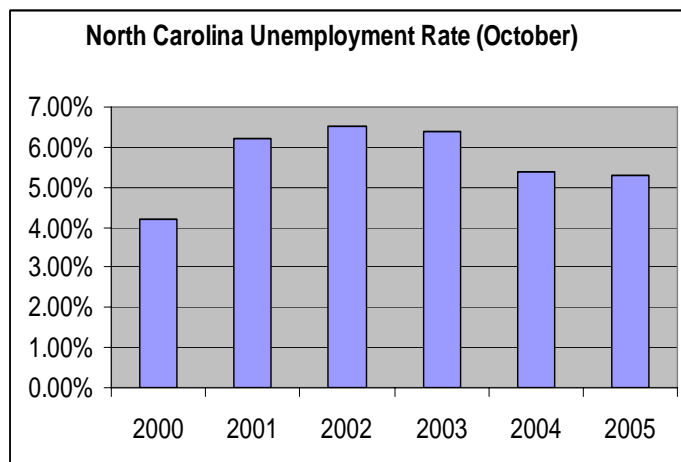


The rolling six month increase fell in the “mild growth” category (0.5% - 1.5%) during much of 2005, then moved into “weak growth” category with a six month increase figure of 0.3% (for six month period of April to October 2005). This served as another statistical indicator that the state’s economic improvement is evident but not particularly robust at this point.

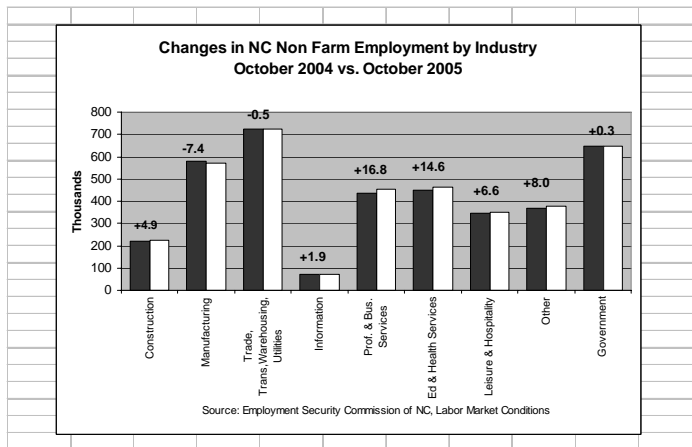
Employment/Unemployment Rate

During 2005, the state wide unemployment rate was similar to rates seen during 2004, fluctuating between a low of 5.0% in January to a high of 5.7% in July.

The current (October 2005) unemployment rate is 5.4%. The state wide unemployment rate consistently matched or was higher than the national rate throughout the year.



Total non farm employment increased about 1% from October 2004 through October 2005. Those industries showing employment gains during this twelve month period included Professional and Business Services (+3.8%), Educational and Health Services (+3.4%), Information Services (+2.7%) and Leisure and Hospitality Services (+1.9%). Manufacturing (-1.3%) posted a net loss in jobs, with Trade, Transportation and Warehousing and Government sectors showing no appreciable loss or gain. Within the Manufacturing Sector, some specific skill areas showed slight employment gains, such as fabricated metals and transportation equipment. Others, such as furniture and related products, textiles and apparel manufacturing, took the brunt of the job losses.



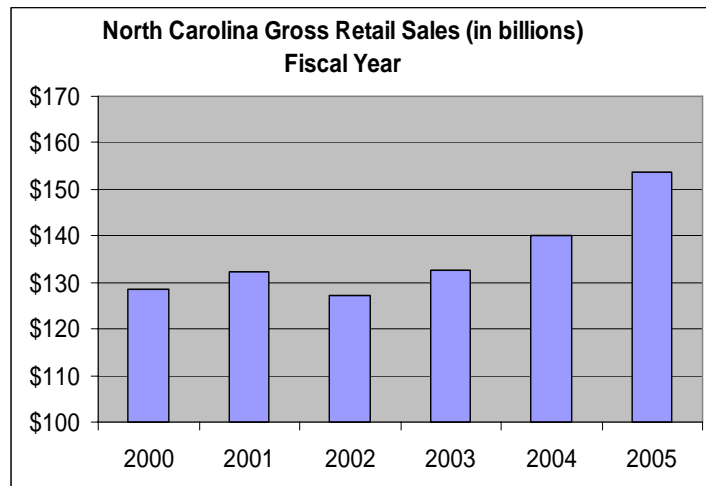
The state economy's ability to recover from the last recession is considerably different than recovery from the previous major recession in 1990-1991. From July 1990, the state's economy needed twenty four months to return total non-farm employment to the same level (replacing the jobs lost during 1990 and 1991). Fifty five months since the beginning of the recent recession (March 2001), total non-farm

employment is still less than March 2001 totals.

Projections for 2006 anticipate minor job growth throughout the state with the unemployment rate expected to remain at or above 5%. Based on analysis prepared by the Belk School of Business (UNC Charlotte), financial, insurance and real estate services and construction will experience the best prospects for job growth in 2006.

Retail Sales

During FY04-05, statewide retail sales continued on the same path of improvement being demonstrated since 2002. The North Carolina Department of Revenue reported that total retail sales for FY 04-05 was \$153.6 billion, an increase of about 9.6% over FY 03-04. This followed a 5.6% increase posted in FY 03-04 over FY 02-03.

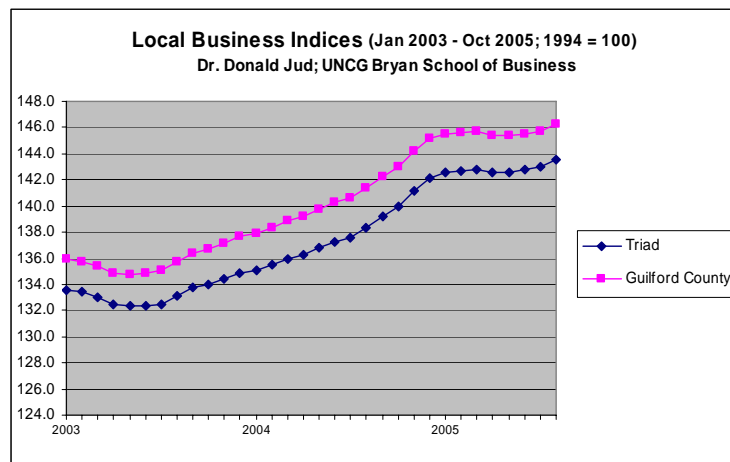


THE TRIAD

The Piedmont Triad area and Greensboro/Guilford County had some positive economic news during 2005, with slight improvements in average wages, employment and retail sales. The unemployment rate remained above 5% throughout the year, however, matching the state wide and national unemployment rates. By comparison, the Charlotte metro area is reporting an unemployment rate of 5%, while Winston-Salem (4.5%), Raleigh (4.0%) and Durham (4.3%) areas all report unemployment rates below 5%.

Triad & Guilford Business Indices

The Piedmont Triad Business Index, compiled by the Bryan School of Business and Economics at the University of North Carolina at Greensboro, measures the level of economic activity in the eight-county Piedmont Triad area. The University also publishes a similar index, the Guilford County Business Index, to assess the level of activity in Guilford County. As evident in the accompanying graph, both the Triad and Guilford Indices continued positive movement during 2005,



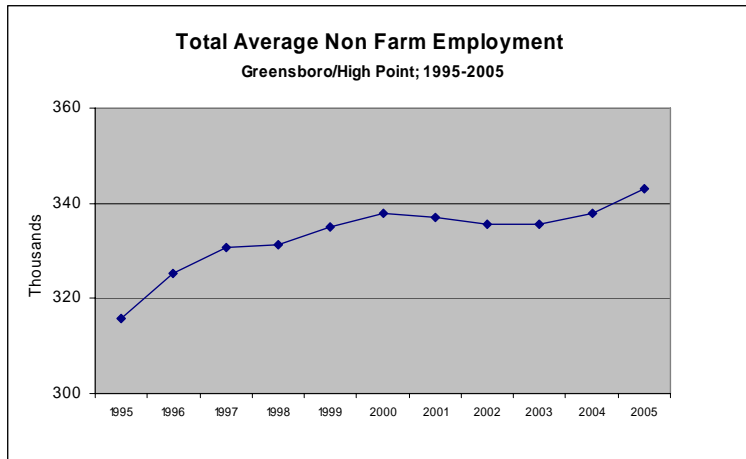
although not at the growth rate posted during 2004. The annual rate of increase during 2004 for both indices exceeded 4%. Through November 2005, the 2005 rates of increase were around 2% for both indices. From October 2003 to October 2004, the Piedmont Triad unemployment rate had fallen sharply from above 6% to below 5%. It has since crept back to about 5.3%.

Retail Sales

Greensboro and the Triad region saw improved retail sales activity during 2005. For FY 04-05, gross retail sales of \$6.58 billion were recorded in Greensboro, a 10.6% increase over gross retail sales posted in FY 03-04. This was a significant improvement over the roughly 3% increase in gross retail sales recorded in FY 03-04 as compared to FY 02-03. Guilford County posted gross retail sales increase of 8.7% during FY 04-05, compared to 3.1% in FY 03-04. These gross retail sales numbers are just now returning to annual levels seen prior to the 2001 recession.

Employment

Based on information from the US Department of Labor (Bureau of Labor Statistics), total average non-farm employment in the Greensboro/High Point



region increased just over 1% during 2005 as compared to 2004 (2005 data is still preliminary). The total average number of non-farm jobs in the Greensboro/High Point area has climbed above the total number seen prior to the last recession, as evidenced in the accompanying chart.

The overall non farm employment growth in the Greensboro/High Point area lagged behind growth rates in other North Carolina metro areas. Winston Salem, Raleigh/Cary and Charlotte/Concord/Gastonia all posted preliminary job growth numbers for 2005 of 2-3%. The local economy continued its gradual transition from goods producing to service provision. Virtually all of the net growth in jobs seen in the Greensboro High Point area were classified as “service providing” by the state Employment Security Commission.

SUMMARY

While the country dealt with natural disasters and increasing energy costs and interest rates, the fact that there was any positive economic news during 2005 is generally regarded as a tribute to the overall strength and resiliency of the national economy. Still, with a variety of economic concerns facing the country at the outset of 2006, most economic forecasters are at best cautiously optimistic for the new year. GDP forecasts for 2006 are generally in the 3-3.5% range with an unemployment rate expected around 5%. Other forecasters emphasize the outstanding challenges facing the economy and question whether the with some anticipating slower economic growth than what was experienced in 2005.

While consumer spending helped bolster the economy somewhat in 2005, often times the spending increases outpaced income, leaving consumers in greater debt. Consumers borrowed considerably against rising home values, which have begun to flatten in some parts of the county. Whether or not consumers will be able or willing to continue previous spending patterns in the new year is a significant question.

Some forecasters point to the apparent cooling of the housing market as a potential stumbling block for the economy in 2006. According to Economy.com, real estate related jobs now account almost 10% of total domestic employment. A reduction in housing sales and/or housing construction would have a dampening effect on consumer demand for various durable goods and

professional services. The Federal Reserve will continue to draw considerable attention as it determines whether or not additional interest rate increases are necessary to help control inflation.

National economic pressures will certainly impact North Carolina's economy. One local observer has noted that recent trade agreements with China may help to moderate the contraction occurring in the textiles and apparel industries, but the North Carolina economy will continue to transition from goods producing to service providing. The state economy in general and the Triad economy specifically are expected to continue modest gains in employment growth, per capita wages and sales tax generation.

In preparing a budget for the next fiscal year, it is important to be cognizant of the various economic trends, both current and projected, and their potential impact on both the community and organization. Should consumer spending and job growth continue to improve, the resulting local government revenue increases would provide revenue for additional or enhanced services. However, the city if higher interest rates and a slowing housing market have the dampening economic impact that some predict, both the City's financial bottom line and the community's ability to pay for increases services will be negatively impacted. While the City cannot control these trends, it can attempt to mitigate their impacts on current and future city operations through conservative budget projections, contingency planning, and maintaining a focus on the organization's long-term goals.

Sources of data: US Dept of Commerce, Bureau of Economic Analysis; US Depart of Labor, Bureau of Labor Statistics; The Federal Reserve Bank; U. S. Congressional Budget Office; NC Dept of Commerce, Employment Security Commission of North Carolina

The Conference Board, USAToday; News and Record; Institute of Supply Management; New York Times

UNC-Greensboro Bryan School of Business and Economics; North Carolina Economic Outlook, Department of Agricultural and Resource Economics, North Carolina State University; UNC Charlotte Belk School of Business, North Carolina Department of Revenue; University of Michigan Survey of Consumer Sentiment

Greensboro Demographics

POPULATION

From FY 00-01 to FY 04-05 Greensboro's population grew by over five percent, or, on average, just under 1.3% per year.

Description

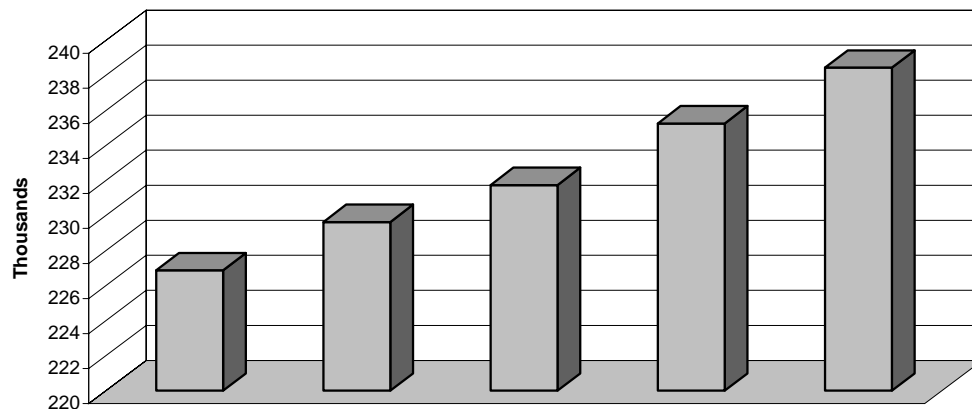
An awareness of changes in population supplies a basic yardstick for estimating service and space needs. A rapidly growing population is likely to mean an increase in the demand for public services. In addition, changes in population can have an effect on the amount of intergovernmental revenues the city receives because many state-shared revenues are distributed on a per capita basis.

Analysis/Data

Between fiscal years 2001 and 2005, the population of the City of Greensboro increased nearly 5.1% from 226,880 to 238,440, including the addition of 2,580 residents through a city-initiated annexation. Excluding the annexation's impact, the City's base population grew by 4.0%, or, on average, just at one percent per year.

NOTE: All numbers are estimates provided by the Planning Department.

Greensboro Population FY 2000-01 - FY 2004-05



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Population	226,880	229,634	231,743	235,262	238,440
% Change		1.2%	0.9%	1.5%	1.4%

Source: City Planning Department

Greensboro Demographics

MEDIAN AGE

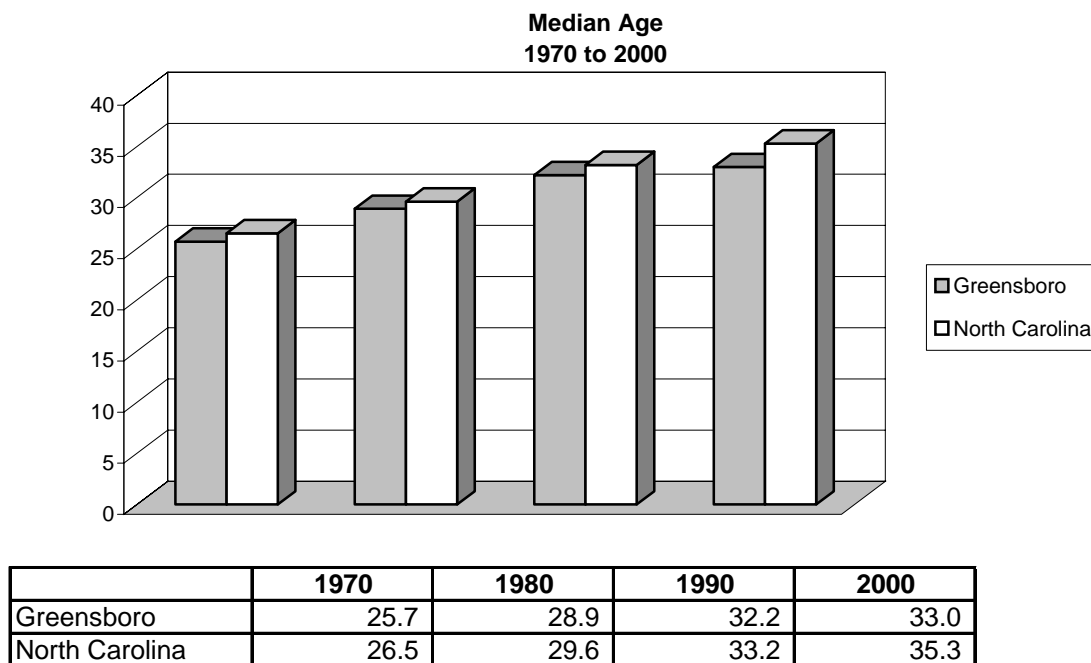
Between 1990 and 2000, the median age of Greensboro's population increased at a rate slower than that of the State.

Description

The median age of the population may have an impact on the mix of services offered by the City. A younger population, including families with young children, is likely to demand a different group of services than would an older population. A rapidly changing median age may mean that the current mix of city services may soon be mismatched with the needs of the population.

Analysis/Data

As of the 2000 Census, the median age in Greensboro was 33 years. From 1990 to 2000, the city's median age increased 2.5% from 32.2 to 33.0, or just under 0.25% per year. Over the same time period, the median age increased 6.3% in North Carolina (33.2 to 35.3). Greensboro's median age is lower than Winston-Salem (34.6), but higher than Raleigh (30.9), Durham (31.0), and Charlotte (32.7).



Source: NC State Demographics Unit

Greensboro Demographics

PER CAPITA PERSONAL INCOME

Per capita personal income (PCPI) in the Greensboro-High Point area has increased at an average annual rate of 1.8% from 1999 to 2003.

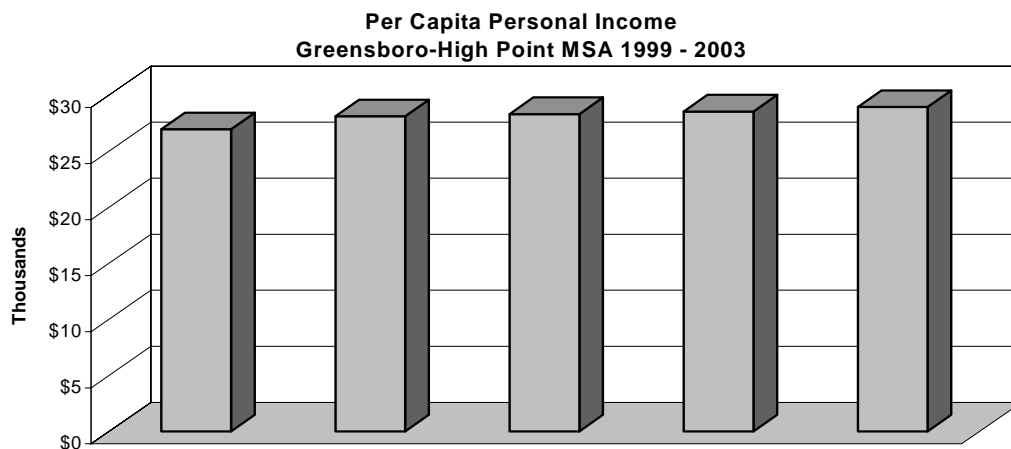
Description

Per capita personal income (PCPI) is determined by dividing the total income of the population in the selected area by the total number of people in the area. This indicator is one measure of a community's ability to raise funds. As PCPI rises, so does the city's ability to generate certain types of revenues (e.g., sales taxes, property taxes).

Analysis/Data

Per capita income in the Greensboro - High Point MSA has increased 7.3% (1.8% annually) from \$26,962 in 1999 to \$28,940 in 2003. Growth was nearly non-existent between 2000 and 2002, but exhibited some improvement into 2003. Data after 2003 is not yet available.

The total growth in PCPI from 1999 to 2003 in the Greensboro – High Point MSA lagged the 9.8% growth enjoyed by that of the state as a whole. Greensboro's growth in PCPI was slightly higher than that of the Raleigh-Cary MSA (7.0%), but slower than that of the Durham MSA (9.8%), the Charlotte-Gastonia-Concord MSA (9.0%), and the Winston-Salem MSA (8.4%).



	1999	2000	2001	2002	2003
GSO-HP MSA	\$ 26,962	\$ 28,103	\$ 28,320	\$ 28,536	\$ 28,940
Annual % Change		4.2%	0.8%	0.8%	1.4%
Total % Change					7.3%

Source: U.S. Bureau of Economic Analysis

Greensboro Economic Climate

EMPLOYMENT

After increasing dramatically from 2001-2003, both the local and state unemployment rate has dropped slightly during the past two years.

Description

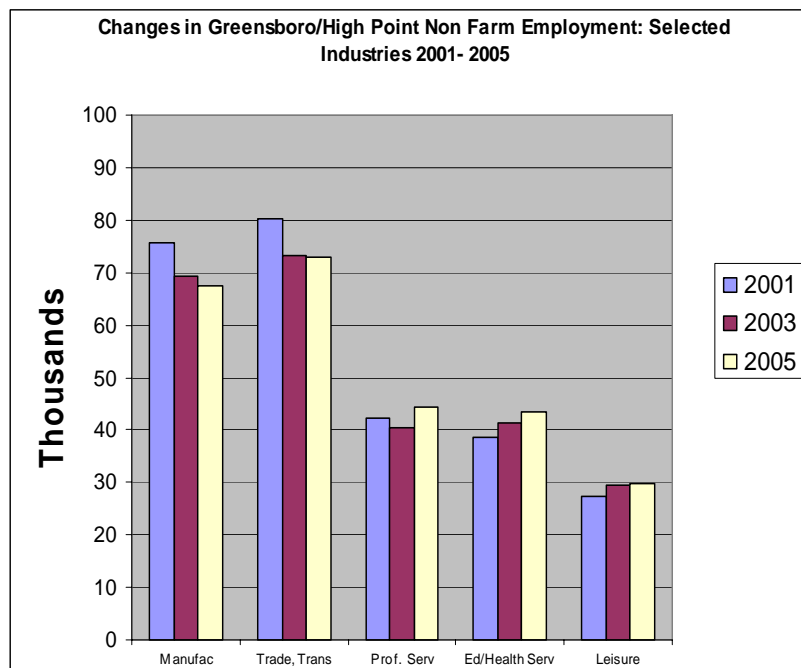
Changes in the rate of employment of the community's citizens are a measure of the community's ability to support its local business sector.

A decline in employment base as measured by lack of employment can be an early warning sign that overall economic activity and governmental revenues may be on the decline.

Analysis/Data

The previous five year time period saw dramatic increases in unemployment rates within both the local and state economy during 2001-2003, with some improvement in most recent years. According to US Department of Labor's Bureau of Labor Statistics, the Greensboro/High Point's MSA region rose from 3.6% in 2001 to 7.3% in 2003 (measured in June of each year). The unemployment rate has subsequently fallen to 5.6%. Similarly, the state unemployment rate rose from 3.6% in 2001 to 6.6% in 2003, with a drop to 5.3% in 2005.

As evidenced in the chart shown, job growth in the local region occurred in industry categories such as professional and business services, education and health services and leisure services. In particular, education and health service related jobs grew by 12% over the four year period. Manufacturing jobs continued to contract, reduced by 11% over the same time period.



Greensboro Economic Climate

ASSESSED PROPERTY (RESIDENTIAL/NONRESIDENTIAL)

With continued negligible growth in the tax base, new or significantly enhanced services cannot be expected to be funded from property taxes without tax increases.

Description

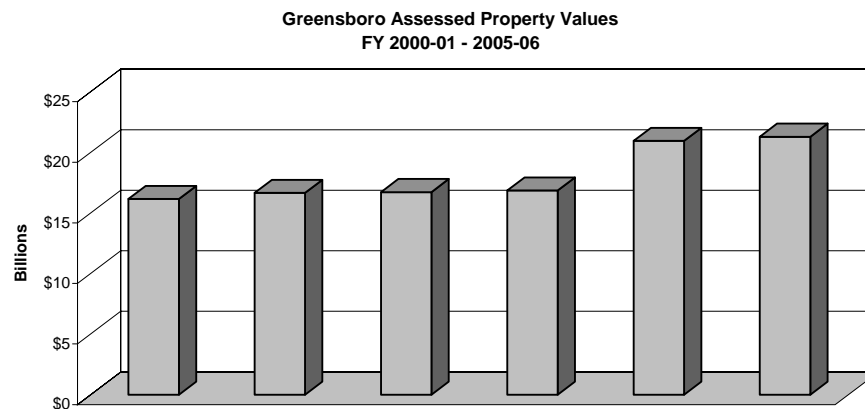
Property value is significant due to the property tax being one of the City's largest revenue sources. With Greensboro maintaining a relatively stable tax rate, the higher the aggregate property values, the higher the generated revenue.

Analysis/Data

Annual growth rates of 5% seen in the late 1990's were replaced by an average growth rate over the last five years of approximately 1.5% (excluding FY 04-05).

FY 04-05 experienced a growth rate of over 24% due to the property revaluation conducted by the County every eight years. State statute requires that governmental jurisdictions publish a "Revenue Neutral Tax Rate" during a revaluation. This rate represents the rate reduction necessary to offset the impacts of revaluation.

Since FY 00-01, the annual tax base increase (exclusive of revaluation) has ranged from 0.5% to 3.1%. A 1.6% increase is projected to occur during FY 05-06. With continued negligible growth in the tax base, new or significantly enhanced services cannot be expected to be funded from property taxes without tax increases.



	FY 00-01	FY 01-02	FY02-03	FY 03-04	FY 04-05	FY 05-06 (Projected)
Net Assessed Value (billions)	16.2	\$ 16.7	\$ 16.7	\$ 16.9	\$ 21.0	\$ 21.3
Annual % Change		3.1%	0.5%	0.8%	24.3%	1.6%

Source: City of Greensboro 2005 Comprehensive Annual Financial Report & 2005-06 Annual Adopted Budget

* Denotes property revaluation year.

Greensboro Economic Climate

INFLATION

The impact of increased fuel costs is evident in higher inflation rates during the last two years.

Description

The Consumer Price Index (CPI) is a widely recognized and used measure of price level changes for consumer goods and services. It is based on a weighted average of prices for a market basket of goods from six different categories: food, housing, apparel, transportation, health and recreation.

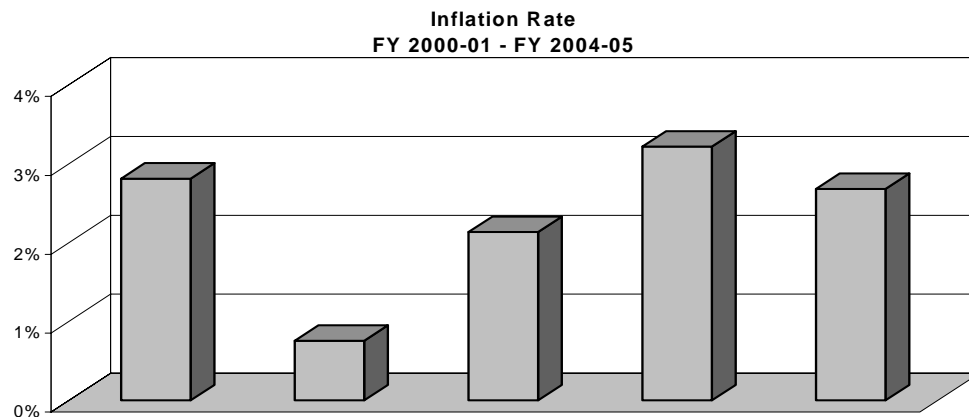
Stability in price level is generally beneficial and continued low rates of inflation indicate a positive trend.

Analysis/Data

The annual change in the Southern Urban CPI from FY 2000-01 through FY 2004-05 has been relatively low, with the highest during FY 03-04 at 3.2%. The average annual increase of inflation from FY 2000-01 to FY 2004-05 has been 2.3%.

Although the FY 04-05 inflation rate is slightly below last year's rate, it remains higher than recent years and continues to reflect the impact of fuel cost increases.

Fuel cost increases are impacting the city budget significantly. Fuel costs, including gasoline and diesel fuel, have increased by 39%, or \$760,000, during the first six months of FY 05-06 when compared to the first six months of FY 04-05.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
CPI	172.2	173.5	177.2	182.9	187.8
Rate of Inflation	2.81%	0.75%	2.13%	3.22%	2.68%

Source: Bureau of Labor Statistics, Southern Urban CPI

Greensboro Revenues

PROPERTY TAX

Property tax revenues have realized little growth in the last three years, placing constraints on the General Fund budget.

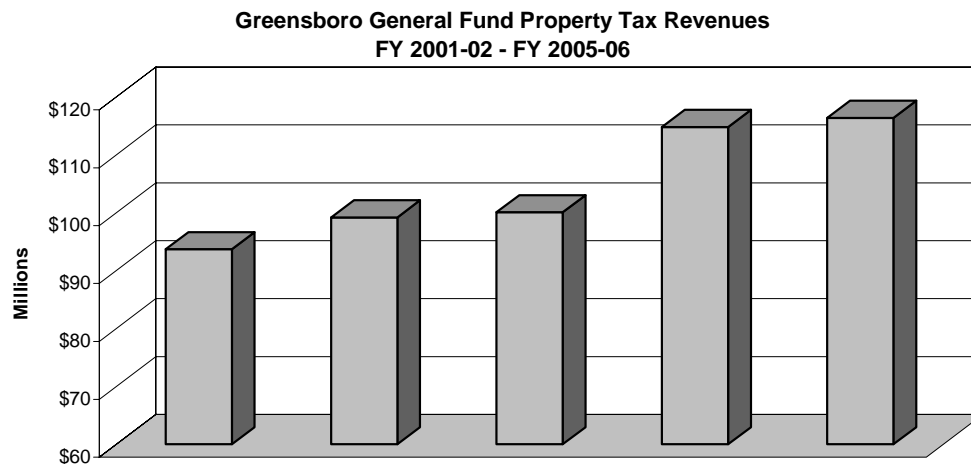
Description

The property tax typically accounts for about one third of all net revenues collected by the City of Greensboro. Within the General Fund, the property tax represents over half of the total revenues needed for basic municipal operations. The 05-06 adopted property tax rate is 56.75 cents per \$100 of assessed value (54.75 cents - General Fund; 2.00 cents – Transit Fund).

Analysis/Data

The impacts of a slow local economy have been evident in weak property tax revenue growth in recent years. This has impacted the City's General Fund Budget tremendously and made it difficult to fund any significant initiatives without tax rate or other user fee increases. Some slight improvement is expected during FY 05-06.

FY 04-05 was a re-valuation year for Guilford County, including property within Greensboro.



General Fund	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06 Projected*
Property Tax (millions)	\$ 93.7	\$ 99.2	\$ 100.1	\$ 114.8	\$ 116.4
Revenue per Penny	\$ 1,665,307	\$ 1,660,430	\$ 1,675,025	\$ 2,087,591	\$ 2,126,025
% Change in Revenue per Penny		-0.3%	0.9%	24.6%	1.8%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05

* Denotes property revaluation year.

Greensboro Revenues

SALES TAX

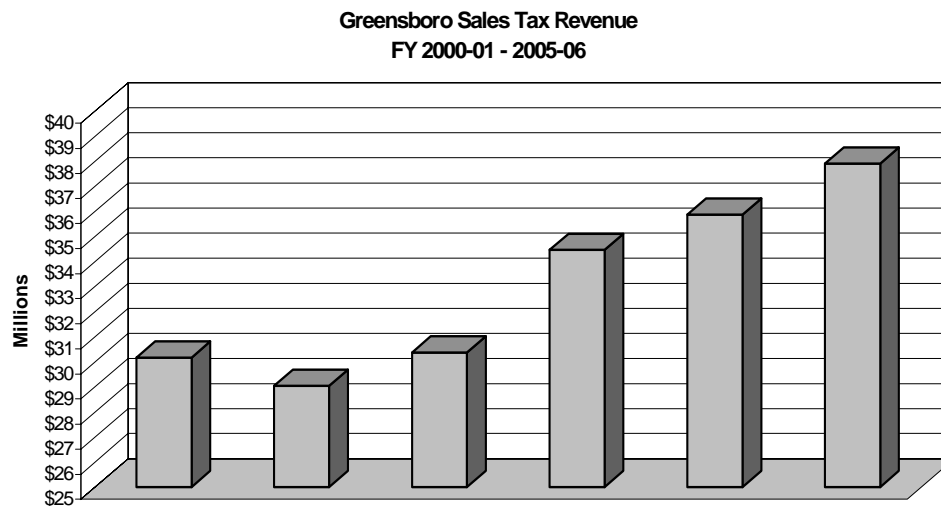
Gradually improving sales tax revenue may be evidence of an improving economy.

Description

The State of North Carolina grants local governments the authority to levy a local sales tax of up to 2.5%, with the state sales tax currently at 4.5%, excluding tax on unprepared food. Guilford County levies the full 2.5% allowed by state law with Greensboro receiving sales tax revenues based on a statutory ad valorem formula. Sales tax revenue is positively correlated with local and statewide economic growth and output and is an excellent indicator of general economic conditions.

Analysis/Data

Based on data collected by the N. C. Department of Revenue, during FY 04-05, Greensboro recorded its first notable increase in gross retail sales in four years. Sales tax revenue (excluding Article 44; an additional one half cent sales tax increase adopted in FY 02-03) showed an encouraging 4.5% increase in FY 04-05 after three years of very little growth. For FY 05-06, sales tax revenues are budgeted anticipating further gradual improvement in the local and state economy.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06 Projected
Sales Tax Revenue (millions)	\$ 30.2	\$ 29.0	\$ 30.4	\$ 34.5	\$ 35.9	\$ 37.9
Annual % Change		-3.7%	4.6%	13.5%	4.1%	5.7%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2005-06

Source: City of Greensboro Financial Systems

Greensboro Revenues

USER FEES, LICENSES AND PERMITS

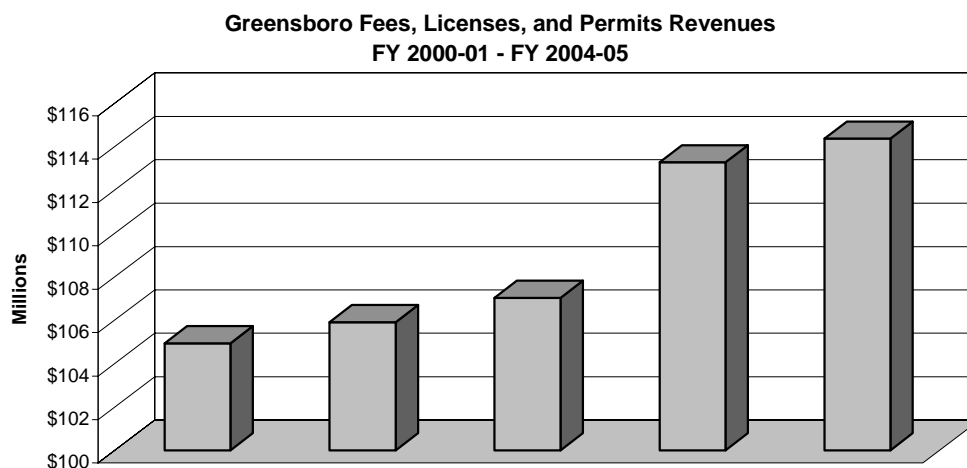
User fees, licenses and permits represent the largest revenue category in Greensboro. After a three year period of little growth, this revenue category has grown significantly the last two years.

Description

These revenues represent charges for City services that are provided by departments typically operating as enterprises in separate funds. Examples include water and sewer charges, landfill tipping fees, parking fees and Coliseum fees. Fees for recreation, a General Fund service, are also included in this category. Revenues from fees, licenses and permits represent approximately 33% of the net revenues for the City of Greensboro, making this the largest revenue category supporting municipal services.

Analysis/Data

A slow economy and continued water conservation combined to hold down user fee revenue from 2001 through 2003. But a 10% increase in water use and improved revenue growth for user fees such as cable television access licenses and building permits fees led to \$6.3 million user fee increase in FY 03-04. These revenues and others such as Parks and Recreation Admissions and Charges showed similar increases in FY 04-05. A less busy year at War Memorial Coliseum (user charges fell from \$11.8 million in FY 03-04 to \$7.6 million in FY 04-05) and the elimination of the user fee for refuse collection roll out container service masked what would have otherwise been another approximate 7% annual increase in overall user fee revenue.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Fee Revenue (millions)	\$ 104.9	\$ 105.9	\$ 107.0	\$ 113.3	\$ 114.4
% Change		0.9%	1.1%	5.8%	1.0%

Source: City of Greensboro Annual Adopted Budgets, FY 1999-00 through FY 2003-04

Source: City of Greensboro Financial Systems

Greensboro Revenues

INTERGOVERNMENTAL REVENUE

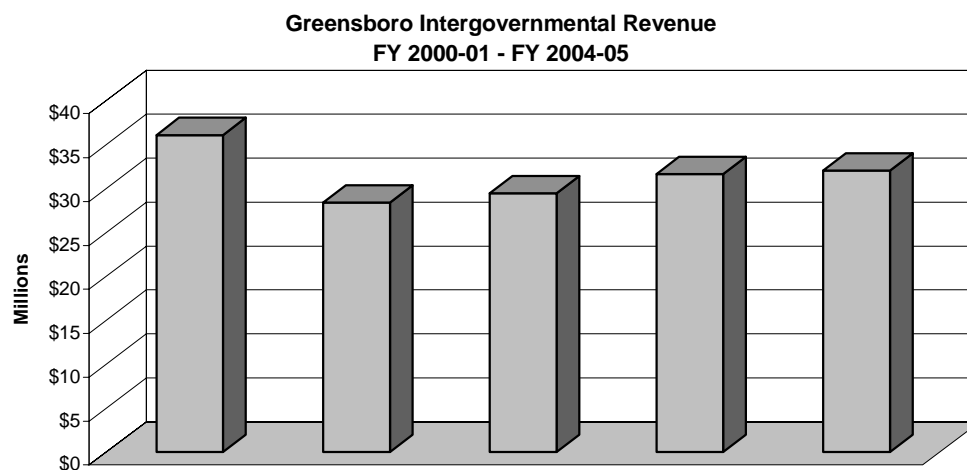
Program reductions and other tax and user fee increases have been necessary to offset the intergovernmental revenue losses experienced during this time period.

Description

This revenue category includes all federal, state or other local government funds that are received by the City, including revenues collected by the State of North Carolina and returned to local governments, such as the Beer and Wine Tax and various Utility and Franchise Taxes.

Analysis/Data

Beginning with the FY 01-02 budget and continuing into FY 02-03, the State of North Carolina reduced and eventually eliminated the reimbursements for the inventory tax, intangibles tax, sales tax on food stamps and Homestead Exemption exclusion. The State provided for an additional 0.5% local option sales tax, implemented locally in January, 2003, and beginning in FY 03-04, provided a “hold harmless” payment designed to partially offset the local revenue losses. Increased federal support for Transit operations and increased support from Guilford County to support the public library system contributed to a 7.5% increase in intergovernmental funds during FY 03-04.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Intergov. Revenue (millions)	\$ 36.1	\$ 28.4	\$ 29.5	\$ 31.7	\$ 32.0
% Change		-21.3%	3.7%	7.5%	1.2%

Source: City of Greensboro Annual Adopted Budgets, FY 1999-00 through FY 2003-04

Greensboro Expenditures

EXPENDITURES PER CAPITA

Expenditures per capita have remained relatively stable for the last three years, reflecting tight budgets during recent difficult economic times.

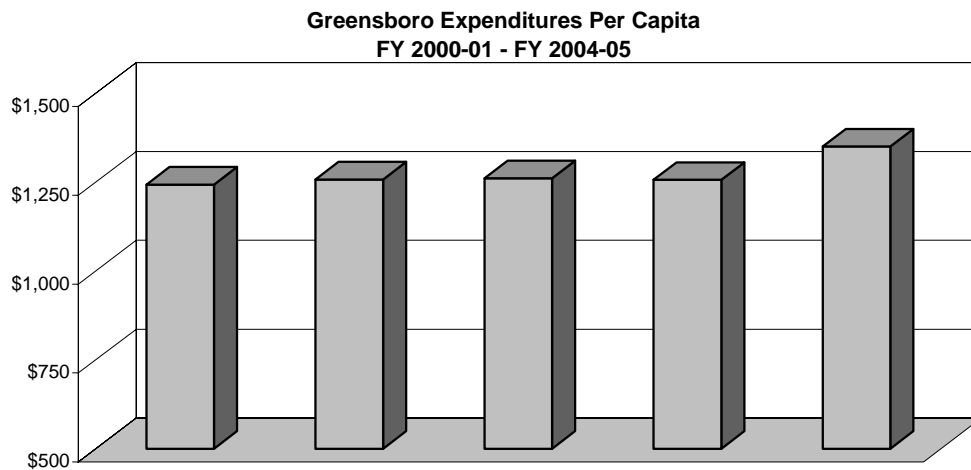
Description

Per capita expenditures reflect changes in expenditures in relation to changes in population. If expenditures per capita go up, it can indicate that cost of providing services is outpacing the City's ability to pay. If the increase in spending is more than can be explained from inflation or the addition of new programs, this can be indicative of declining productivity.

Analysis/Data

Expenditures per capita from FY 00-01 to FY 03-04 remained virtually static, averaging about 0.8% per year. The loss of State-shared revenues and slumping property and sales tax revenues restricted program budget growth in many areas over this time period.

Expenditures per capita finally showed a noticeable increase in FY 04-05. Most of the increases are related to maintenance and operations increases in Environmental Protection areas such as Water Resources and Stormwater Management.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04*	FY 04-05
Net Operating Exp. (millions)	\$ 281.5	\$ 288.8	\$ 292.2	\$ 295.6	\$ 321.9
Population	226,467	229,634	231,740	235,262	238,440
Exp Per Capita	\$ 1,243	\$ 1,258	\$ 1,261	\$ 1,257	\$ 1,350
% Change		1.2%	0.3%	-0.3%	7.4%

Sources: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems; NC Office of State Planning; Greensboro Planning Department.

Greensboro Expenditures

EMPLOYEES PER THOUSAND POPULATION ** includes all funds

Employees per thousand population decreased from FY 01-02 through FY 03-04 prior to increasing slightly in FY 04-05.

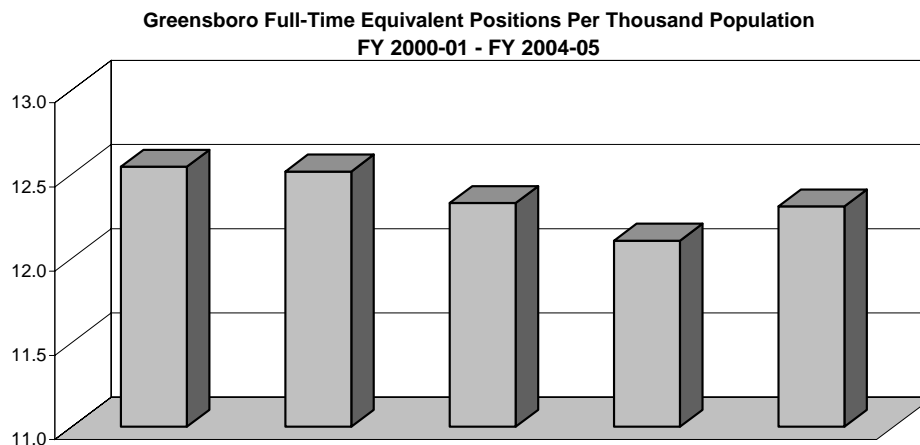
Description

Personnel costs remain a major portion of the City's annual operating budget. Analyzing changes in the number of full time equivalent (FTE) positions relative to the population is one way to measure changes in expenditures. An increase in FTE positions to population may be indicative that the City has become more labor intensive, that expenditures are growing faster than revenues, or that productivity is declining.

Analysis/Data

The employees per thousand population measure has remained relatively stable during the five-year period, declining slowly from FY 01-02 to FY 03-04 before increasing slightly again in FY 04-05. One of the ways the city has been able to control the growth in the number of employees is by contracting with third party providers to operate or manage certain services. For example, the city was able to eliminate 42 FTE's over the last several years by means such as contracting with private vendors to operate Bryan Park and Coliseum concessions.

The increase in this measure for FY 04-05 is due to the adding 87 full-time equivalent positions for annexation needs and enhancements to public safety and environmental protection.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
FTE Positions	2,846	2,874	2,857	2,848	2,935
Population	226,880	229,634	231,743	235,262	238,440
FTE/1000 Population	12.5	12.5	12.3	12.1	12.3

Sources: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05;
Greensboro Planning Department.

Greensboro Expenditures

PERSONNEL COSTS

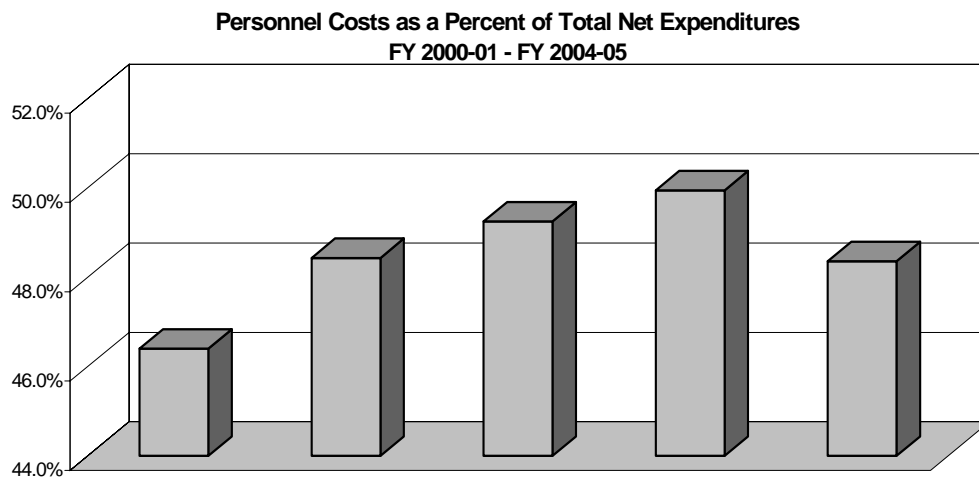
Personnel costs as a percent of total budget increased throughout much of the trend period, although this number dropped slightly in FY 04-05, with other components of the budget growing faster last year.

Description

Personal Services costs (salaries) and employee benefits (life and health insurance premiums, retirement system contributions, FICA taxes, worker's compensation, tuition reimbursement and vehicle allowances) are the direct labor costs associated with delivery of City services.

Analysis/Data

Total personnel costs have increased 19.2% from FY 00-01 to FY 04-05. Throughout much of this trend period the percentage of the total budget comprised of personnel costs increased as these expenditures grew faster than other components of the budget. Personnel costs as a percentage of total budget actually fell slightly in FY 04-05. Even with increasing health insurance costs and selected market adjustments to salaries, other cost categories grew at a faster pace.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Personnel Costs	\$ 130,617,886	\$ 139,856,197	\$ 143,888,045	\$ 147,634,397	\$ 155,663,739
Total Net Exp	\$ 281,517,749	\$ 288,783,464	\$ 292,188,272	\$ 295,625,788	\$ 321,912,642
Personnel Costs/ Total Net Exp	46.4%	48.4%	49.2%	49.9%	48.4%

Sources: Trends Worksheet and City of Greensboro Financial Systems

Greensboro Expenditures

FTE COSTS

The average increase in FTE costs over the trend period is about 3.7%, including both salary and benefits costs.

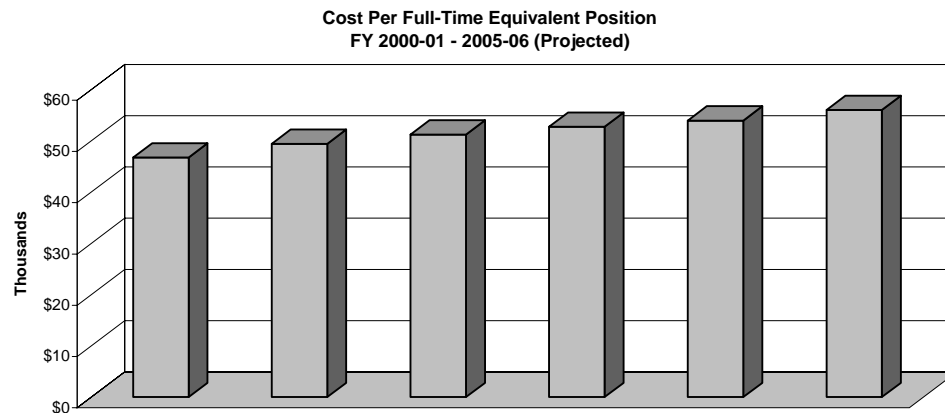
Description

Personal services costs (salaries) and employee benefits (life and health insurance premiums, retirement system contributions, FICA taxes, worker's compensation, tuition reimbursement and vehicle allowances) are the direct labor costs associated with delivery of City services.

Analysis/Data

Including the current year projection, FTE costs have increased an average of 3% annually over the previous five years. Certain salary and benefits costs have grown at faster rates during this time period, including Fire Department overtime expenses, health insurance fund contributions and workers compensation premiums. In addition, some classes of positions received market adjustments in their salaries during FY 04-05.

Throughout this five year period, salary range adjustments have been kept at particularly low levels, usually 2.5% to 3% on an annual basis. This has largely contributed to the slow cost growth per FTE positions, but likely contributed to some difficulty in hiring and retaining employees in selected positions. It is expected that market adjustments to select positions will reverse this trend.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06 Projected
Personnel Costs	\$ 130,617,886	\$ 139,856,197	\$ 143,888,045	\$ 147,634,397	\$ 155,663,739	\$ 164,796,000
Total FTE Positions	\$ 2,795	\$ 2,831	\$ 2,811	\$ 2,801	\$ 2,887	\$ 2,944
Cost per FTE	\$ 46,733	\$ 49,402	\$ 51,187	\$ 52,708	\$ 53,919	\$ 55,977
Annual % Change		5.7%	3.6%	3.0%	2.3%	3.8%

Sources: Trends Worksheet; City of Greensboro Annual Adopted Budgets, FY 00-01 through FY 04-05; City of Greensboro Financial Systems.

Greensboro Expenditures

EMPLOYEE BENEFITS COSTS

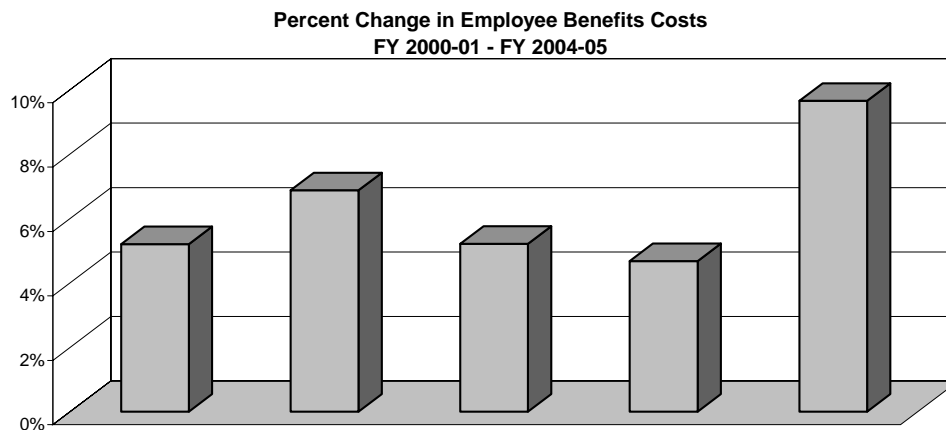
Annual growth in employee benefits costs has averaged 6.6% over the five-year period. FY 04-05 shows a marked increase due to significant increases in health insurance costs and worker's compensation claims.

Description

Employee benefits comprise a significant portion of the City's operating costs. Direct benefits that require an immediate cash outlay include life and health insurance premiums, retirement system contributions, FICA taxes, worker's compensation, tuition reimbursement and vehicle allowances. Indirect benefits including accumulated holiday, sick and annual leave do not require immediate cash outlay, but require paying the opportunity cost of not having the work done or paying others to do the work.

Analysis/Data

Since FY 2000-2001, employee benefits costs have increased by an average of 7.1% per year as a direct result of increases experienced in health insurance costs for all employee groups and costs associated with worker's compensation claims. As the cost of health care and other benefits continue to rise, it is likely that the City's cost for employee benefits will increase at rates higher than those seen during the last several years.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Benefits Costs	\$28,306,755	\$30,251,801	\$31,827,854	\$33,315,394	\$36,528,954
% Change from Previous Year	5.2%	6.9%	5.2%	4.7%	9.6%

Source: Trends Worksheet and City of Greensboro Financial Systems

Greensboro Expenditures

MAINTENANCE & OPERATING COSTS ** includes all funds

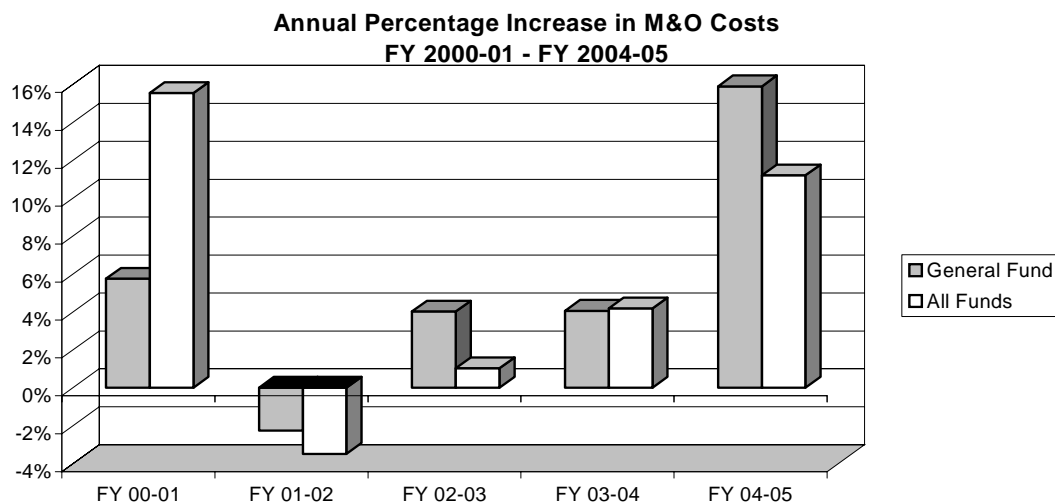
After three years of cost control measures, a variety of factors led to the significant M&O increases that occurred in FY 04-05.

Description

Maintenance and operations (m/o) costs include supplies, fuel, technology leases, rental and maintenance of equipment, contractual services and all other similar expenses associated with daily operation and service delivery. Debt service payments for principal and interest owed on borrowed money and contributions to capital reserve funds (such as Water Resources and Solid Waste Capital Reserve Funds) also constitute maintenance and operations expenses.

Analysis/Data

The City's overall maintenance and operating expense, including debt service has seen great variation both within the General Fund and other funds. M&O in all funds rebounded in FY 04-05 after three years of cost containment measures. FY 04-05 included increases to several other funds, including an additional \$5 million transfer to the State Highway Allocation Fund from FY 03-04 to FY 04-05. In addition, increased debt service (over \$3.3 million) and a sizable increase in the transfer amount for Water Resources (\$5.8 million) occurred in FY 04-05. The transfer to Solid Waste Management also went up by more than \$5 million to replace revenues previously generated directly by the Solid Waste Fund (i.e. due to the elimination of the Solid Waste roll out container service fee). Fire service contract increases as well as increased expense to fully staff Carolyn Allen Park were also contributing factors. Lastly, the significant increases to fuel costs have impacted this cost category and continue to do so in FY 05-06 as well.



Source: Trends Worksheet and City of Greensboro Financial Systems

Greensboro Expenditures

CAPITAL OUTLAY COSTS ** includes all funds; but does not include *Capital Improvement Projects*

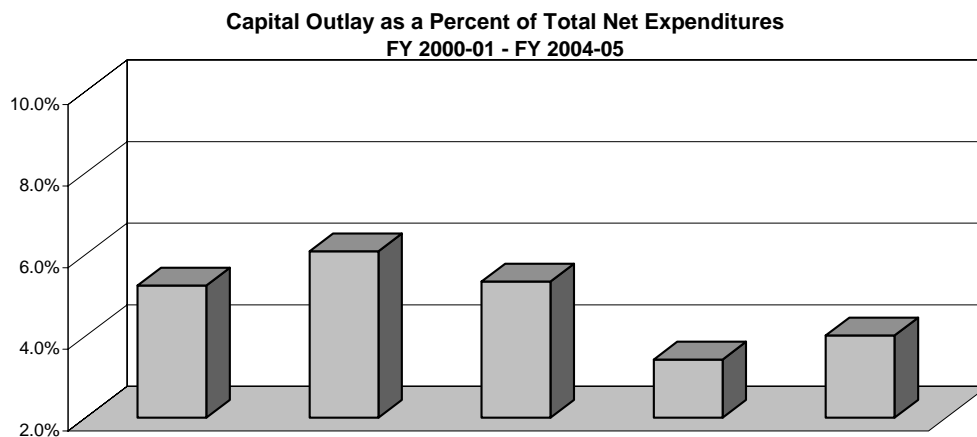
The greatest capital outlay expense in the annual operating budget is for the replacement of vehicles.

Description

Capital outlay is the expenditure for operating equipment such as vehicles, radios, and computer and office equipment purchased from the operating budget. Capital items are those which have a useful life of more than one year and which cost more than \$5,000. Capital expenditures may remain constant or even decline in the short run as new and replacement equipment is purchased. If the decline persists over three years it can be an indicator that capital outlay needs are being deferred, resulting in the use of obsolete equipment and the creation of an unfunded liability.

Analysis/Data

Capital outlay expenditures as a percent of net operating expenditures have averaged just under five percent over the trend period, during which the City completed several major purchases (e.g., new financial, personnel, and telephone computer systems). After a drop off in FY 03-04, increases in lease purchases of replacement capital rolling stock brought the percent up to 4% of total net expenditures. If FY 05-06 shows a decline, it may indicate the use of obsolete equipment and that capital needs are being deferred in order to fund other more pressing budgetary needs.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Capital Outlay	\$ 14,742,338	\$ 17,551,991	\$ 15,591,069	\$ 10,108,185	\$ 12,922,495
Total Net Exp	\$ 281,517,749	\$ 288,783,464	\$ 292,188,272	\$ 295,625,788	\$ 321,912,642
Capital Outlay/ Total Net Exp	5.2%	6.1%	5.3%	3.4%	4.0%

Sources: Trends Worksheet and City of Greensboro Annual Adopted Budgets, FY 2001-02 through 2004-05

Greensboro Service Area Summaries

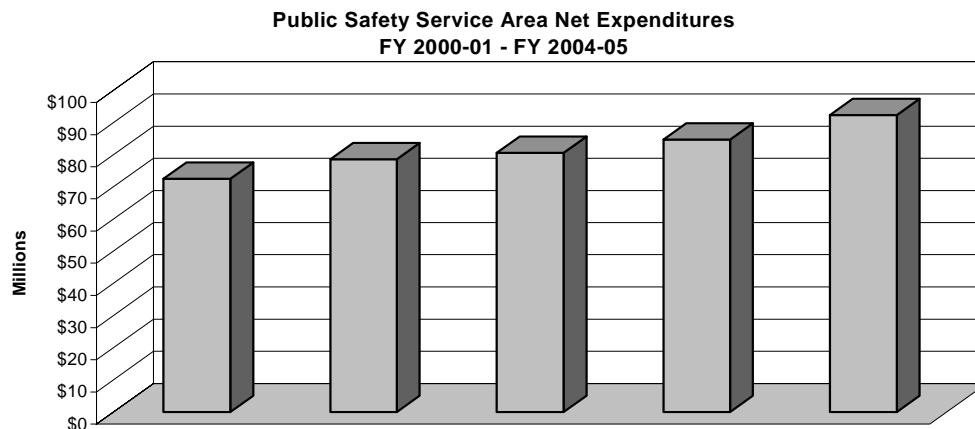
PUBLIC SAFETY SERVICE AREA SUMMARY

Public Safety operating expenditures have increased by an annual average of 6.3% between fiscal years 2001 and 2005.

Introduction

The Public Safety Service Area is comprised of Fire, Guilford Metro 911, Inspections and Police services, including the City's contribution to Guilford County's animal control and animal shelter programs.

As a direct result of Council's service priority goal of enhancing public safety efforts, this service area has experienced several enhancements over the measurement period, both in terms of personnel growth and technology enhancements. From FY 00-01 to FY 04-05, Public Safety expenditures increased 27.3%, or an average of 6.3% per year. During the same time period, 84.5 FTEs were added to this service area. This represents an increase of 7.5% over the last five years or an average of 21.1 positions each year.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 72,470,326	\$ 78,521,349	\$ 80,533,260	\$ 84,644,426	\$ 92,278,537
% Change		8.3%	2.6%	5.1%	9.0%

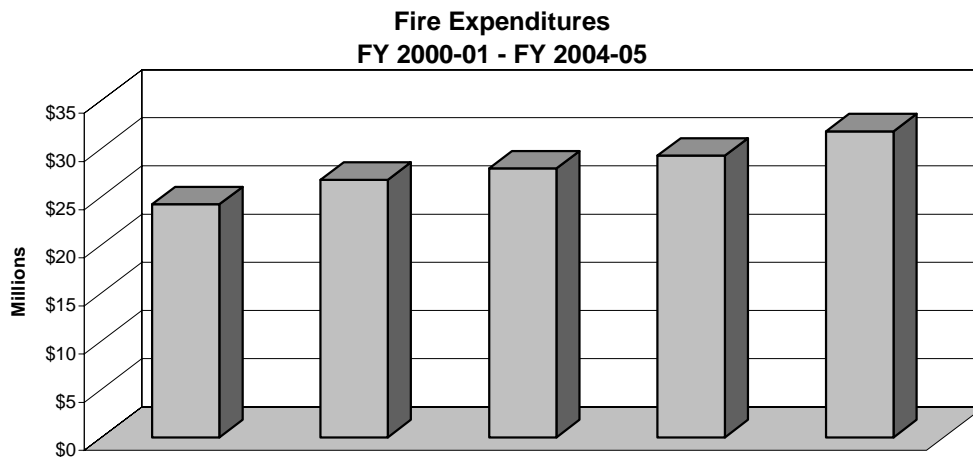
Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05; City of Greensboro Financial Systems

There have been a number of organizational changes to take place since FY 00-01. In FY 04-05, Guilford Metro 911 was broken out from the Police Department and became a separate City department. This separation was made in preparation for future consolidation with Guilford County Communications. Also, prior to FY 03-04, the Emergency Management function was a consolidated effort with Guilford County. In the Fall of 03-04, the County chose to end the joint effort, at which point Emergency Management was moved to the Fire Department. Emergency

Management was moved again in the Fall of 04-05 and placed under the newly formed Guilford Metro 911.

Fire

Over the last five years, Fire expenditures have increased from \$24.2 million to \$31.8 million, or 31.3%. This represents an average increase of nearly 7.1% per year. During the same time period, staffing has increased by 29.8 positions or 7.5%.



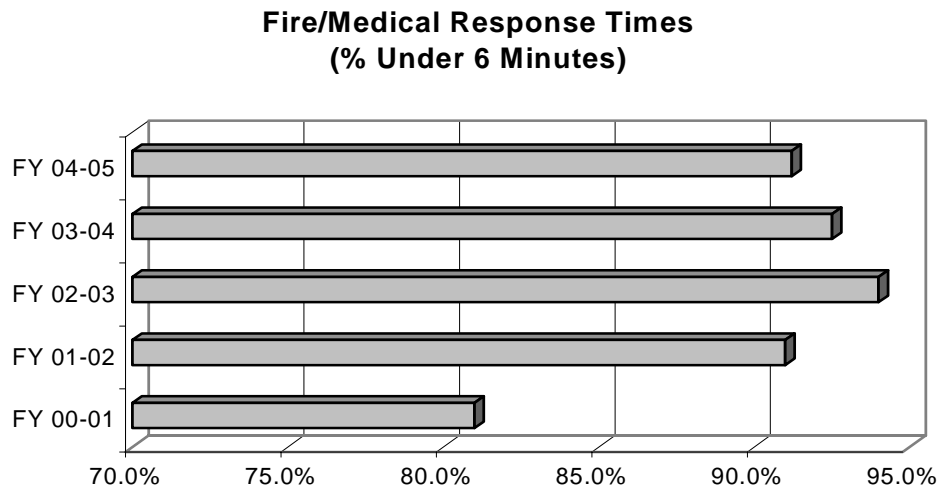
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 24,190,412	\$ 26,739,167	\$ 27,907,728	\$ 29,235,475	\$ 31,765,647
% Change		10.5%	4.4%	4.8%	8.7%

Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05; City of Greensboro Financial Systems

Most of the increases in spending levels and in personnel are from the need for new stations and equipment in order to maintain service levels as population increases and annexation occurs. The FY 01-02 and FY 02-03 budgets contained increases for the merger with the Guilford College station, including 11 additional firefighters while the FY 03-04 budget included increases for the Reedy Fork and Briarmeade annexations. The FY 04-05 budget included funding for a new station (15 additional positions, associated M&O, and one-time capital equipment purchases) as well as a new fire inspection unit needed as a result of city initiated annexations. It also included a renewed contract with fire district #14 to meet minimum fire service requirements.

These increases in expenditures have been critical as fire continues to strive for meeting its objective of responding to 85% of fire/medical calls in less than six minutes. It is evident from the following graph that the Fire Department has been

able to meet its goal of 85% since FY 01-02, however the overall percentage of calls reached in less than six minutes has been declining since FY 02-03.



FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
81.0%	91.0%	94.0%	92.5%	91.2%

Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05

In addition to the expenses listed above, Fire has funded improvements to its Self Contained Breathing Apparatus equipment (02-03); funded lease payments for 2 pumpers (01-02), a rescue unit (04-05), and a pumper/aerial ladder truck (04-05); and funded increases for the FLSA 2-in-2-out mandates (04-05).

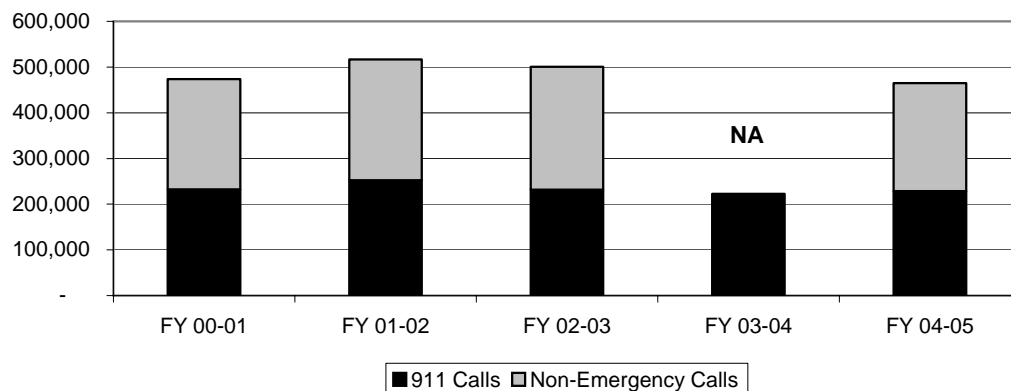
Guilford Metro 911

As discussed in the Service Area Introduction, Emergency Communications was separated from Police in early FY 04-05 to become Guilford Metro 911. This change was made in preparation for the consolidation with Guilford County Emergency Communications. Actual consolidation is scheduled to take place in FY 06-07.

At the time Emergency Communications was broken out from the Police budget, the 54 positions that had been assigned to that division within the Police Department became Guilford Metro 911 employees. Over the course of FY 04-05, an additional 15 employees were added or reassigned, increasing the total FTE count of Guilford Metro 911 to 69. The additional positions were as follows: 4 new Telecommunicator positions; 8 Telecommunicator positions that were hired as City employees after County positions were vacated (These positions

will continue to answer only County emergency calls until consolidation takes place. The County will reimburse 100% of the expenses for these positions until that time.); 1 position for Emergency Management that was reassigned from Fire; 1 new GIS position; and 1 Communications Systems position that was reassigned from Police. Expenses for Guilford Metro 911 totaled \$3,643,143 in FY 04-05.

**Metro 911
Emergency and Non-Emergency Calls**



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Total 911 Calls	232,248	252,175	231,788	222,524	228,622
Total Incoming Non-Emergency Calls	241,505	264,773	268,499	*	236,317
Total Incoming Calls	473,753	516,948	500,287	NA	464,939

* Information not available due to switch to VoIP

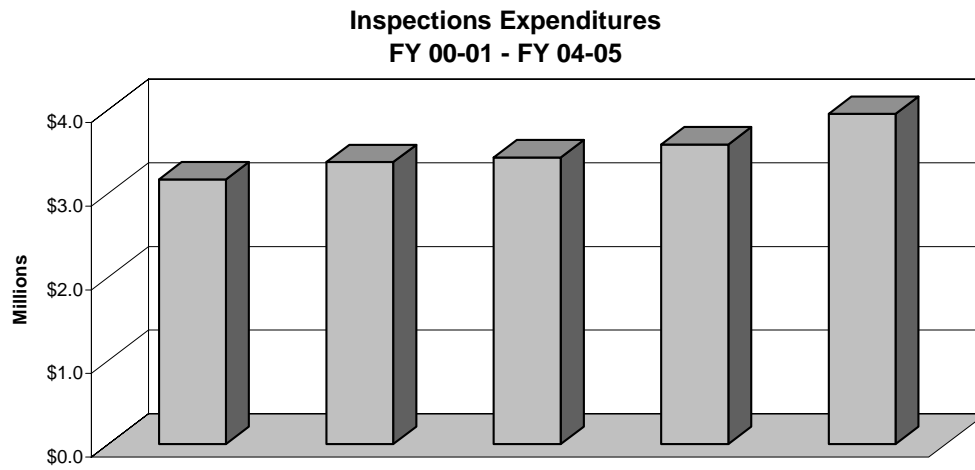
Source: City of Greensboro Guilford Metro 911

The above graph tracks the number of both Emergency and Non-Emergency calls that have come into Guilford Metro 911. In FY 01-02, the number of 911 Calls increased 8.6% over the previous year to reach the five-year high. This figure fell 8.1% and 4.0% respectively in FY 02-03 and FY 03-04 before increasing by 2.7% in FY 04-05. Despite this increase in FY 04-05, the Total Incoming Calls in this year decreased thanks to a decrease in non-emergency calls. This decrease can be partially attributed to the Contact Center beginning its operation in early FY 04-05, which helped divert some non-public safety calls away from Emergency Communications. The consolidated Guilford Metro 911 will not begin taking calls from the County until FY 06-07.

Inspections

Expenditures in Inspections increased over \$785,000 or 24.8% from FY 00-01 to FY 04-05. This represents an average increase of 5.74% per year over the five

year period. During the same time period, staffing increased by 8.75 FTE's or 19.2%.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 3,164,718	\$ 3,372,478	\$ 3,428,361	\$ 3,583,097	\$ 3,949,860
% Change		6.6%	1.7%	4.5%	10.2%

Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05; City of Greensboro Financial Systems

Expenditures increased 6.6% in FY 01-02 over the previous year. A portion of this increase can be attributed to Soil and Erosion inspections being transferred from Environmental Services to Building Inspections. This increase included the transfer of 4.5 FTE's. In addition, 1 new Local Ordinance Enforcement Inspector was added during this year.

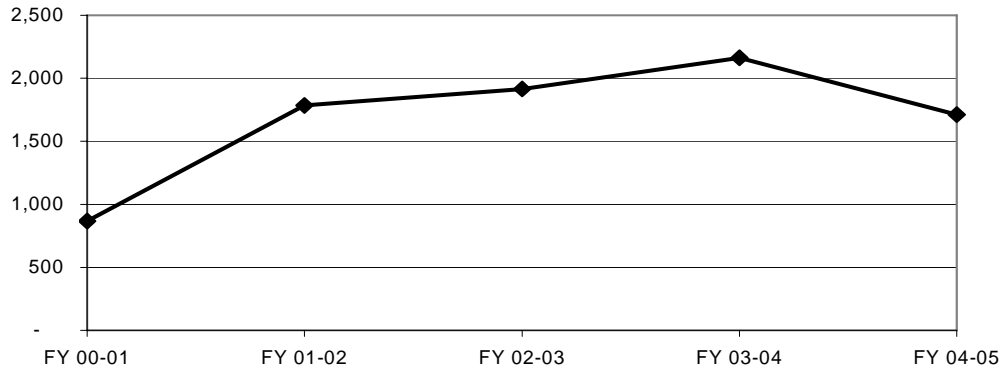
Expenditures increased 1.7% and 4.5% respectively in FY 02-03 and FY 03-04. Much of the increase in FY 03-04 is also directly related to new additions in Local Ordinance Enforcement. During this year funds were added for 3 additional Part-Time Local Ordinance Inspectors, 1 Full Time Administrative Staff person, and 3 additional vehicles. By adding these additional staff people, Inspections revised its department goal of removing 100% of abandoned vehicles within 10 days to 100% within 7 days.

Inspections expenditures increased by 10.2% or nearly \$367,000 in FY 04-05. Although this is partially a result of it being the first full year of the improvements listed above, Inspections also funded major renovations at the Cone Building and the moving expenses that were necessitated by Inspections vacating the old library on Greene Street.

The following graph shows the number of junked or abandoned vehicles that have been towed by Local Ordinance Enforcement over the last five years. The number of vehicles towed increased steadily from FY 00-01 to FY 03-04. Inspections believes that the decrease in FY 04-05 may partially be attributed to

the additional enforcement discouraging people from leaving junked vehicles in yards.

Junked or Abandoned Vehicles Towed



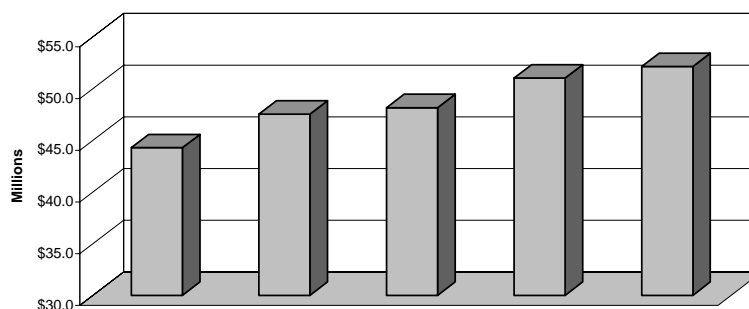
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Vehicles Towed	867	1,786	1,916	2,162	1,712

Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05; City of Greensboro Engineering and Inspections

Also, in an effort to improve the rental housing stock within the City, Inspections began issuing Certificates of Occupancy in January 2004. A Certificate of Occupancy will be required for any rental unit beginning in July 1, 2007. Inspections issued 1,084 Certificates of Occupancy from January 2004 through June 2004 and 4,489 Certificates in FY 04-05. Early indications are that the number of condemnations has decreased as the number of Certificates of Occupancy issued has increased, although more data will be required to determine if there is truly a correlation.

Police

**Police Expenditures
FY 00-01 - FY 04-05**



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 44,271,937	\$ 47,525,743	\$ 48,144,837	\$ 51,021,061	\$ 52,128,223
% Change		7.3%	1.3%	6.0%	2.2%

Source: City of Greensboro Annual Adopted Budgets, FY 2002-03 through FY 2004-05; City of Greensboro Financial Systems

With an average annual increase of 4.2%, Police expenditures increased nearly \$7.9 million, or 17.8% from FY 00-01 to FY 04-05. During this same period, staffing has had a net increase of 48 FTE's or nearly 7.0%.

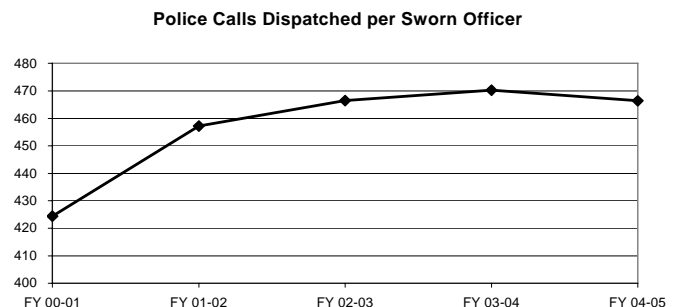
The Police Department has received a number of both technology-based and staffing-based service enhancements over the five year review period. The FY 01-02 budget included increases for 8 new grant funded Police Officers and 2 City funded Parking Enforcement Officers. In FY 02-03, the Police Department reduced its adopted budget by over \$385,000 in response to the budget crisis created by revenues withheld by the State. These cuts included the elimination of the following positions: 1 Community Relations Specialist; 1 SOAR Program Coordinator; 1 Police Planner; 1 Case Processor; and 3 positions in the DARE Program. As a result of these reductions, expenditures in this year only increased by 1.3%.

The 6.0% increase in expenditures in FY 03-04 included funding for 8 new positions. These positions included 1 Homicide Detective, 2 additional Computer Crimes Detectives, 3 Mobile Response Team positions, and 2 non-sworn Records Clerks. These enhancements also required the purchase of 6 additional vehicles.

In response to a staffing study conducted in collaboration between the Police Department and Budget & Evaluation, the FY 04-05 budget included funding for 32 additional Police Officers and 4 patrol vehicles. Other positions added this year include 2 additional Police Officers related to annexation; 2 Downtown Walking Patrol Officers; 4 Grant Funded Traffic Enforcement Officers; 3 County funded School Resource Officers; and 1 Evidence Technician. Additionally, 8 patrol vehicles and \$300,000 for a Career Enhancement Program were included in the budget. Due to the scheduling of the two Police Training Academies and the time required to hire these positions, only a portion of the full impact of these enhancements was realized in the FY 04-05 budget. The FY 05-06 budget will reflect a full year of expenditures associated with these positions.

It should also be noted that funds were allocated in years FY 01-02 through FY 03-04 (in the MIS budget) for the purchase and implementation of new Case Processing and Field Reporting Systems as well as new Mobile Data Computers for police cars.

As evidenced by the discussion of service enhancements that have been approved over the last five years, staffing level for Police has remained a point of emphasis. By looking at increase in Calls Dispatched per Sworn Officer, one can see that the workload for sworn officers has increased steadily from FY 00-01 through FY 03-04. Though the



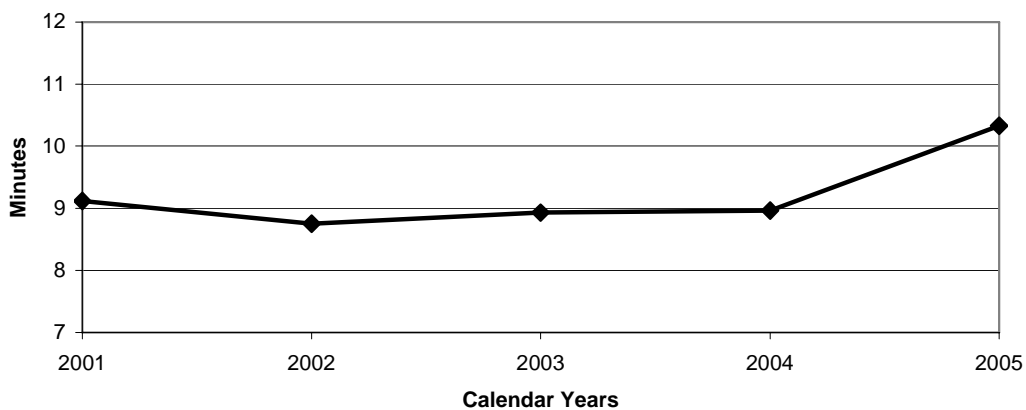
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Call Dispatched	216,899	233,624	236,508	240,296	258,365
Sworn Officers	511	511	507	511	554
Calls Dispatched per Sworn Officer	424	457	466	470	466

Source: NC Local Government Performance Measurement Project; FY 2000-2001 through FY 2004-2005

significant addition of new staff in FY 04-05 served to provide some relief, the number of Calls Dispatched per Sworn Officer in this year was still higher than it was in FY 01-02.

The following graph depicting average response times for Priority P, 1, and 2 calls indicates that response times have increased steadily since 2002, reaching a high of 10.3 minutes in 2005. One should keep in mind that although the additional positions were approved in FY 04-05, the effects of having these officers on patrol would not be seen until calendar year 2006 due to the time required for training new officers. Increased response times are also indicative of an increase in workload. Please note that the years noted in this graph are calendar years as opposed to fiscal years.

Average Response Time to Priority P, 1, and 2 Calls for Police



	2001	2002	2003	2004	2005
Response Time in Minutes	9.1	8.8	8.9	9.0	10.3

Source: City of Greensboro Police Department

Greensboro Service Area Summaries

TRANSPORTATION SERVICE AREA SUMMARY

Fluctuations in expenditures for Powell Bill projects, the Street and Sidewalk fund, and Transit operations costs during the past three years have resulted in significant annual variances.

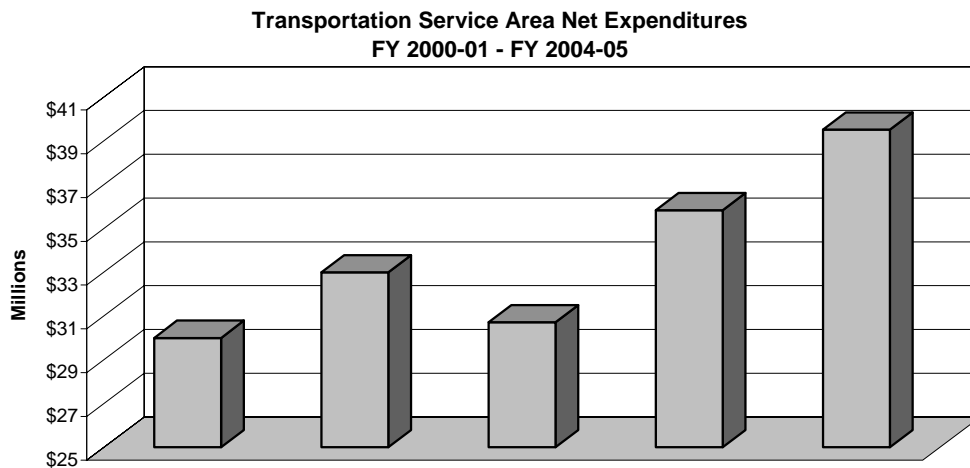
Description

The Transportation Service Area consists of street maintenance, traffic operations, technical support, the Greensboro Transit Authority (GTA), Street & Sidewalk Revolving Fund, State Highway Allocation Fund, and the City-owned parking decks.

Analysis/Data

Over this five year review period, net expenditures in the Transportation Service Area grew from roughly \$30 million in FY 00-01 to \$39.5 million in FY 04-05, an increase of 31.7%. Annual increases were particularly noteworthy in the last two years; 16.7% in FY 03-04 and 10.2% in FY 04-05.

Increases in Transit Fund costs, driven both by increases in service provided and increases in major cost components, contributed considerably to the overall increase in this service area. Overall transit costs increased by 33.8% during this five year period. Similarly, increases in street maintenance, traffic signal maintenance and storm sewer maintenance costs led to a 35.6% increase in General Fund Transportation costs during this time period.

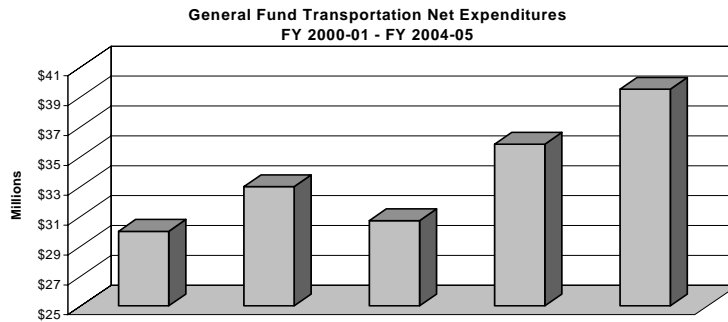


	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 29,997,055	\$ 32,982,501	\$ 30,707,756	\$ 35,827,589	\$ 39,508,130
% Change		10.0%	-6.9%	16.7%	10.3%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

General Fund Transportation

Over the last five years, Transportation expenditures have increased from \$11.5 million to nearly \$15.6 million, or 35.6%. This represents an average increase of nearly 8% per year. The chart below outlines Transportation's overall expenditures for the five-year period. Expenditures have been steadily increasing with the most notable increases occurring in FY 00-01 and 03-04. The nature of these increases has been due to a variety of factors including increased costs for asphalt maintenance. During FY 04-05 other areas that have grown more than average include Traffic Signals (\$228,000), Signs & Markings (nearly \$83,000) and Storm Sewer Construction (\$174,000). Much of these increased costs come from increased raw materials for street maintenance and traffic signal devices; the systematic replacement of vehicles; and traffic signalization for which contracted maintenance rates increased. The General Fund cost for storm sewer maintenance is a contribution to the Stormwater Management Fund based on the impervious area of the city street network.

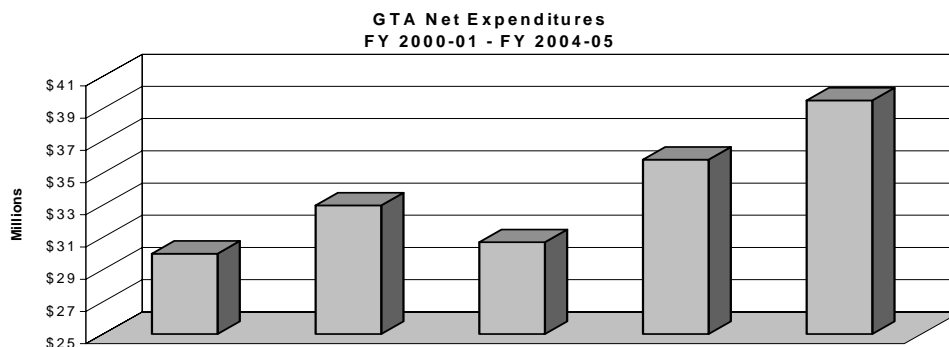


	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 11,467,114	\$ 12,840,011	\$ 13,553,817	\$ 14,712,051	\$ 15,549,922
% Change		12.0%	5.6%	8.5%	5.7%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

Greensboro Transit Authority (GTA)

GTA expenditures increased overall during the trend period by \$2.84 million. Most of these expenses are related to the city's contract for fixed route and paratransit service, higher diesel fuel prices, and local matches for federal and state grants. A chart of the operating expenditures for the last five years appears here. The greatest increase occurred during FY 03-04 when costs associated with the opening of the multi-modal center came into play.

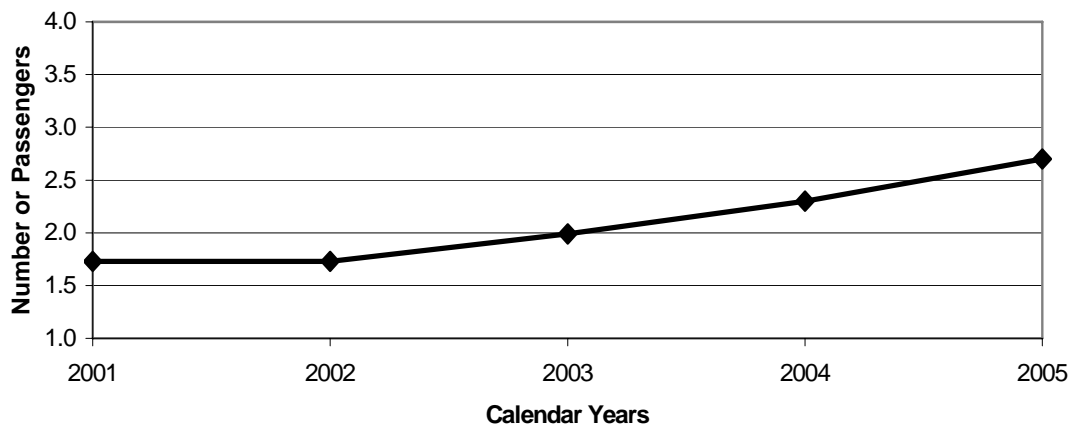


	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 8,407,594	\$ 9,175,358	\$ 8,978,518	\$ 10,930,220	\$ 11,246,154
% Change		9.1%	-2.1%	21.7%	2.9%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

GTA has experienced increased costs as well as increased ridership. The graph below shows the annual increase in the number of passengers during the five-year trend period. The increases in ridership can be attributed to several factors including existing passengers using the service more frequently; access is more convenient at the J. Douglas Galyon Depot; and lastly, higher fuel prices make using GTA more attractive. The number of people who choose to use the service is greater than ever.

Annual GTA Ridership



Miscellaneous Transportation Activities

During the five-year trend period, expenses for the Street & Sidewalk and State Highway Allocation (Powell Bill) Funds increased by \$2.5 million and funded various road and sidewalk construction projects. Street repair/resurfacing expenses of more than \$300,000 that were not eligible for reimbursement from Powell Bill revenues also caused increases to the overall expenditure level.

Other increases included debt service and other capital and general maintenance expenditures at the Davie Street Parking Deck (\$346,000) and higher storm water fees for City buildings and streets (\$373,000). Increased fuel costs for City buses and general equipment also greatly impacted the Transportation Service Area in FY 04-05 and will continue to affect it in FY 05-06.

Greensboro Service Area Summaries

ECONOMIC & COMMUNITY DEVELOPMENT SERVICE AREA SUMMARY

Expenditures have declined in this service area for several years as a result of budget constraints and the timing of economic incentive payments.

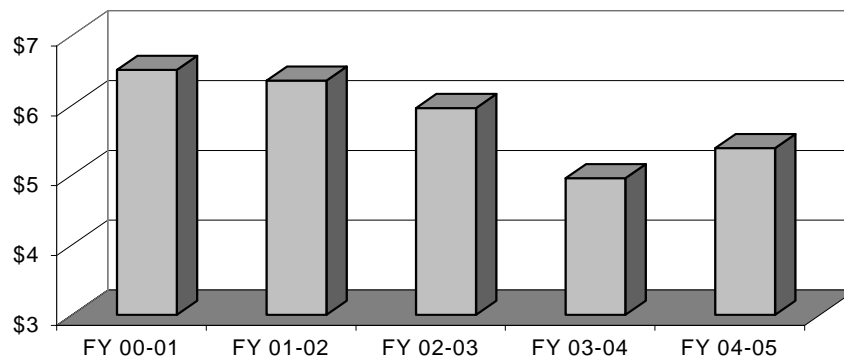
Description

The Economic and Community Development Service area includes economic development initiatives administered through the City Manager's Office, the Nussbaum Housing Partnership Fund, Planning, Human Relations and other non-departmental activities associated with economic and community development. The City's three municipal service districts are also included in this service area under the Special Tax Districts Fund.

Analysis/Data

Budget constraints experienced by the City since FY 01-02 are evident in this service area. In FY 02-03, General Fund support to the Housing Partnership Fund was reduced from \$2.1 million in FY 01-02 to approximately \$1.8 million and contributions to outside agencies were reduced during the last quarter of the fiscal year. In FY 03-04, funding was completely eliminated for human service agencies and the City's payments for economic development incentives decreased by \$840,000 due to timing on eligibility for several approved incentive packages.

**Economic and Community Development Service Area Net
Expenditures (in millions)**



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 6,507,121	\$ 6,352,177	\$ 5,957,969	\$ 4,954,334	\$5,387,322
% Change		-2.4%	-6.2%	-16.8%	8.7%

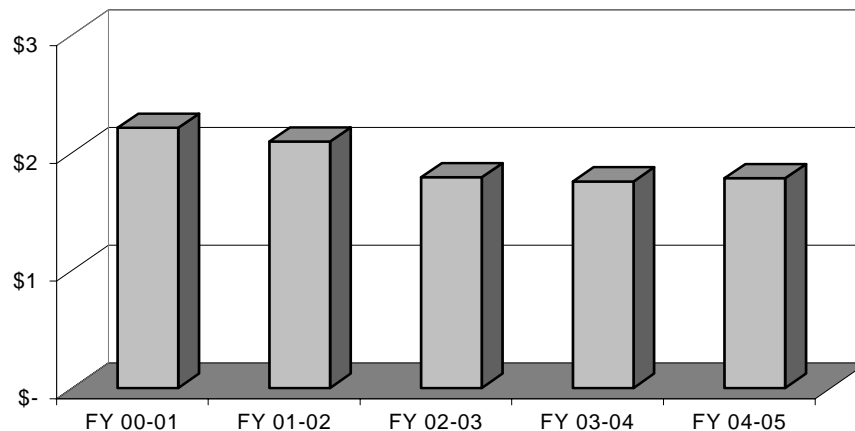
Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

Spending in the service area rose in FY 04-05, as a result of the establishment of a Downtown Business Improvement District, which increased expenditures in the Special Tax Districts Fund by \$175,000. Despite the fact that the General Fund transfer to support the Nussbaum Housing Partnership Fund remained steady at \$1.7 million in both FY 03-04 and FY 04-05, expenditures within the Nussbaum Housing Partnership Fund rose as revolving loan proceeds were used to make repairs on homes built by Project Homestead.

Nussbaum Housing Partnership Fund

From the late 1990's through FY 2000-01, the General Fund contribution to the Nussbaum Housing Partnership Fund was set at the equivalent of 1.3 cents of the levied property tax rate. As budget constraints grew, the amount of General Fund transfer decreased to a one cent allocation, beginning in FY 02-03. With revaluation in FY 04-05, the allocation dropped to 0.83 cents on the tax rate, however the dollar amount of the transfer stayed the same.

General Fund Transfer to the Nussbaum Housing Partnership Fund, FY 00-01 to FY 04-05 (in millions)



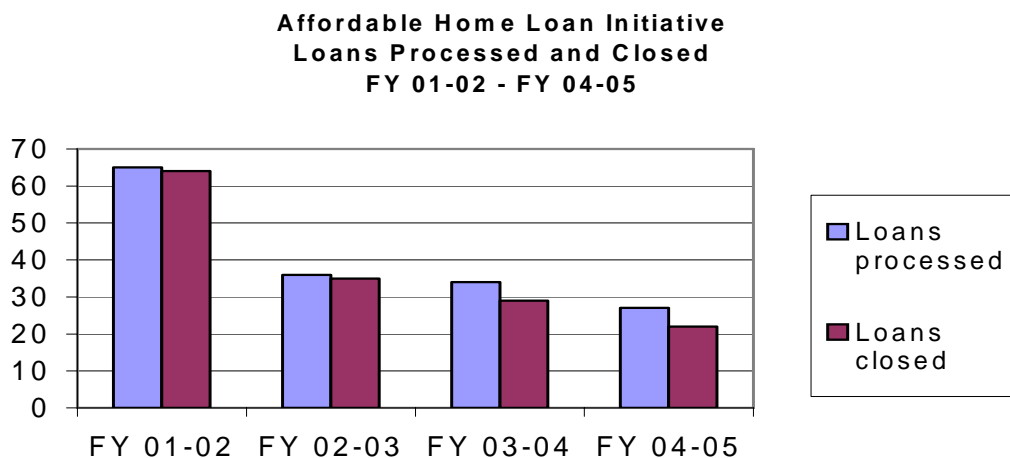
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Transfer Amount	\$ 2,210,555	\$ 2,092,988	\$ 1,789,880	\$ 1,755,445	\$1,782,332
% Change		-5.3%	-14.5%	-1.9%	1.5%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05;
City of Greensboro Financial Systems

The HOME Program and Community Development Block Grant (CDBG) Programs continue to provide funding for much of the Housing and Community Development Department's work; in FY 04-05, the intergovernmental revenue received from the CDBG Program was in excess of \$2.5 million, a 34% increase over the previous year. With federal and grant funding, housing-related

programs still continue to help those in need, despite a lower General Fund transfer to the Nussbaum Housing Partnership Fund.

HCD's first time homebuyer program continues to assist homebuyers in need of additional funds for the purchase of their first home, although the number of closed loans has decreased since FY 01-02. Funds have been available; however, there are other lenders in the market that now offer better terms and 100% financing. The number of loans processed has remained relatively the same since FY 02-03, but local economic conditions have affected the ability of several homebuyers from completing the process, increasing the gap between the number of loans processed and the number of loans actually closed. The graph below illustrates this trend.



Source: City of Greensboro Department of Housing and Community Development

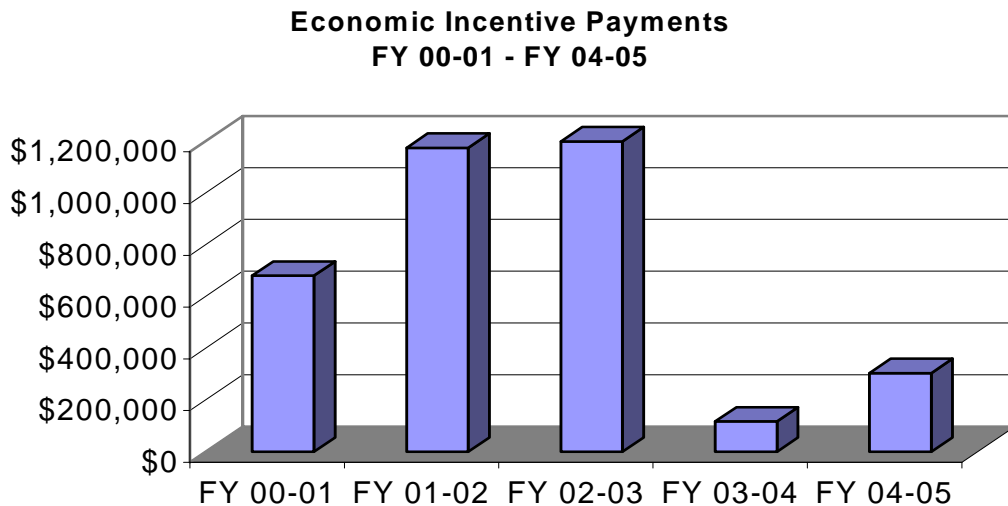
Municipal Service Districts Fund

Beginning in FY 04-05, the Downtown Business Improvement District joined the Charles B. Aycock and College Hill historic tax districts to become the third municipal service district in the City. Both the Aycock and the College Hill Districts levy an additional 5 cents on the tax rate for improvements to historic character and right-of-way areas of each neighborhood. The Downtown Business Improvement District levies a 9 cents tax on properties in the downtown district for use in revitalizing the district through economic development initiatives and any use of the funds must be approved by business owners and residents. During FY 04-05, only \$175,000 of the budgeted \$350,000 was spent in the

Downtown Business Improvement District, as the service district was functional until January of 2005. All funds are held in separate reserve accounts.

Economic Development Initiatives

Economic incentive payments are used as a tool to recruit corporate relocations of expansions of existing businesses within the City. Throughout the five year period, the amount of economic incentive payments varied according to the timing of the award and the installments agreed upon by both parties. Between FY 00-01 and FY 02-03, large payments were made to RF Micro, Stockhausen, Lorillard, and Neal Manufacturing. In FY 03-04, Syngenta was the only company to receive economic incentive payments. Stockhausen received another payment in FY 04-05 and Syngenta was paid the second of their three installment payments during the same year.



Source: City of Greensboro Financial Systems

Greensboro Service Area Summaries

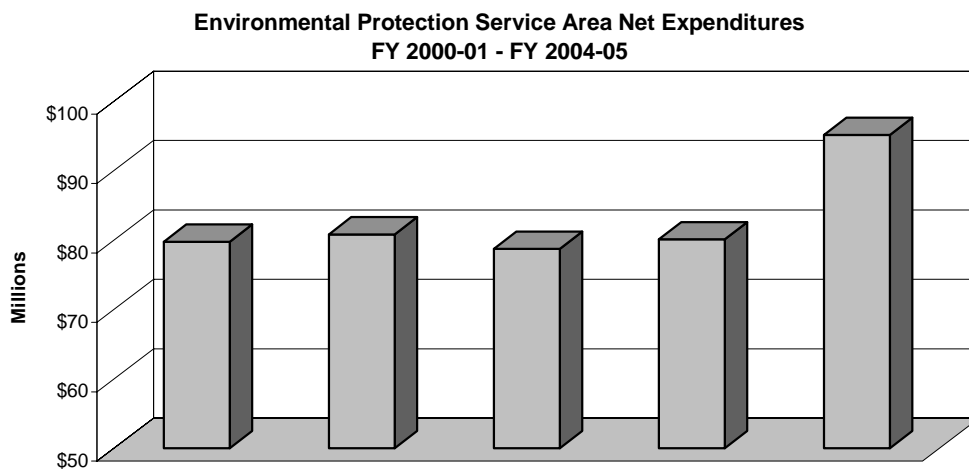
ENVIRONMENTAL PROTECTION SERVICE AREA SUMMARY

The Environmental Protection Service Area remains the largest in annual operating expenses and is expected to increase in coming years.

Introduction

The Environmental Protection Service Area includes the Water Resources and its associated Capital Reserve Fund, the Solid Waste Management, Stormwater Management and Cemeteries Funds as well as environmental programs and non-departmental support for environmental protection.

Environmental Protection continues to be the largest service area, increasing from \$79.6 million in FY 00-01 to \$95.1 million in FY 04-05, an increase of 19.3%. Expenses remained relatively stable from FY 00-01 through FY 03-04 before increasing 18.8% in FY 04-05. In addition, this service area had a net increase of 26.35 FTE's over the five year period which represents an increase of 4.8%.



	FY 00-01*	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 79,751,924	\$ 80,806,507	\$ 78,725,789	\$ 80,074,357	\$ 95,115,876
% Change		1.3%	-2.6%	1.7%	18.8%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

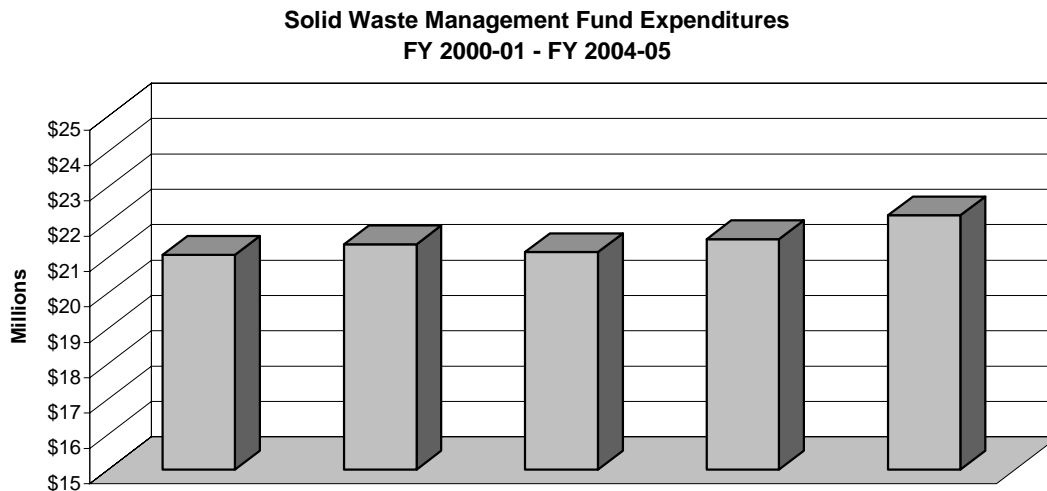
* FY 00-01 excludes one time \$10.1 million Water Resources bond refinancing payment.

Within the service area, Water Resources realized the most growth, increasing by 32.8%. During the same time period Solid Waste increased only 5.3%. Expenditures fluctuated within Stormwater Management, ultimately showing an 11.7% decrease from FY 00-01 to FY 04-05, though the FY 04-05 figure is 71.9% higher than the five-year low of FY 02-03.

This service area will continue to grow in the coming years. Debt service in Water Resources will continue to rise and the tiered Stormwater Fee structure will generate resources to support additional Stormwater capital projects. Also, net refuse disposal costs will increase with the opening of the refuse transfer station.

Solid Waste Management Fund

Spending in the Solid Waste Management Fund has been fairly consistent over the five year period. No major changes were made to solid waste collection services until FY 04-05, when a City-initiated annexation and the revision of the Chapter 25 ordinance allowing attached units added over 1,600 homes to existing collection routes. Three FTE's and two new collection vehicles were added upon annexation and \$581,000 was allocated from fund balance to provide resources for the attached units. A new compost facility also became operational at the White Street Landfill in FY 04-05, resulting in higher expense, but also generating offsetting revenue from the sale of mulch and other compost materials.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 21,077,310	\$ 21,376,067	\$ 21,152,103	\$ 21,517,610	\$ 22,192,076
% Change		1.4%	-1.0%	1.7%	3.1%

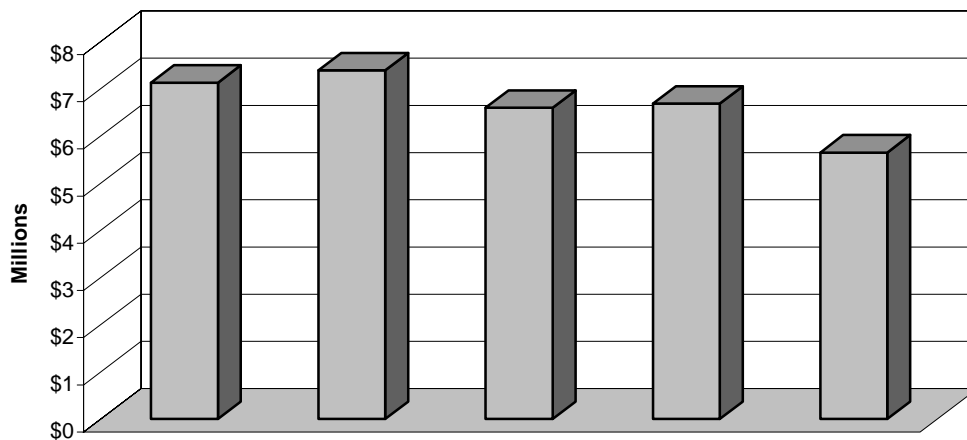
Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

While overall spending in the Solid Waste Management Fund has not fluctuated much over the past 5 years, the revenue streams have changed dramatically. The \$5 per month solid waste collection fee charged to residents was eliminated in FY 04-05 and replaced by an additional levy on the tax rate, resulting in a policy change of less reliance on user fees in the area of residential solid waste collection. As a result, the General Fund transfer to the Solid Waste Management Fund increased by \$3 million in FY 04-05 to offset the lost user fee revenue.

Revenues associated with the sale of recyclable materials continue to be strong. Revenues have increased 112% over the past 5 years, from \$498,523 in FY 00-01 to \$1,057,646 in FY 04-05. Since the recyclables market dictates which materials are viable and what prices each type of material will receive, there is uncertainty regarding the level of revenues to be expected in future years.

During the second half of FY 02-03, revenues from the solid waste tipping fee at the White Street Landfill began to decline due to the loss of Republic Waste as one of the City's primary haulers into the White Street Landfill. By the end of FY 04-05, all tonnage associated with Republic Waste was being taken to a facility owned by their company. Despite losing over \$1.0 million annually from Republic's business, the White Street Landfill has made up a portion of the lost revenue by bringing in additional waste from new and existing customers. Strong Construction and Demolition debris, Land Clearing and Inert Debris (LCID) and Compost Facility revenues have also helped to mitigate the loss of Republic Waste. During FY 04-05, Construction and Demolition debris revenues declined slightly, as less building structures were demolished throughout the City.

**White Street Landfill Revenues
FY 2000-01 - FY 2004-05**



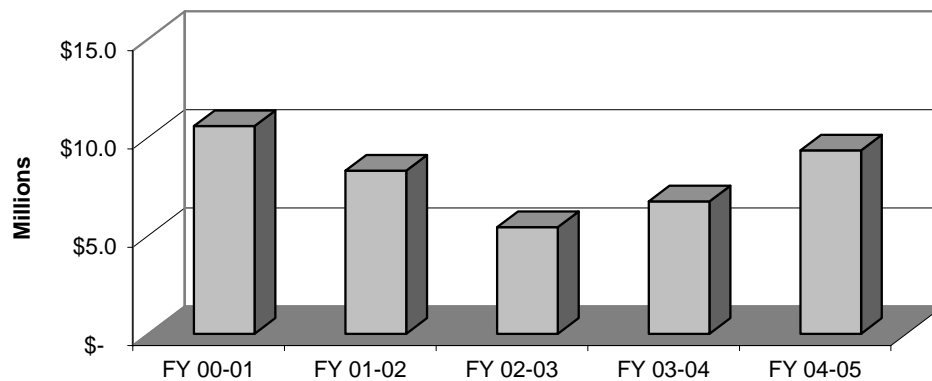
	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Revenues	\$ 7,127,932	\$ 7,390,608	\$ 6,592,108	\$ 6,680,833	\$ 5,646,307
% Change		3.7%	-10.8%	1.3%	-15.5%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

Stormwater Management Program

Expenditures fluctuated in Stormwater Management over the five year review period, dropping 48.6% from FY 00-01 to FY 02-03 and then increasing 71.9% from FY 02-03 to FY 04-05. Despite this increase, Stormwater shows an 11.7% decrease over the five-year period. In addition, Stormwater shows a net decrease of nearly 6.5 FTE's, though the lost positions were primarily associated with shifting Soil and Erosion Inspections from Stormwater to Engineering and Inspections.

**Stormwater Management Fund
FY 2000-01 - FY 2004-05**



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 10,561,528	\$ 8,296,330	\$ 5,423,418	\$ 6,739,549	\$ 9,323,332
% Change		-21.4%	-34.6%	24.3%	38.3%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

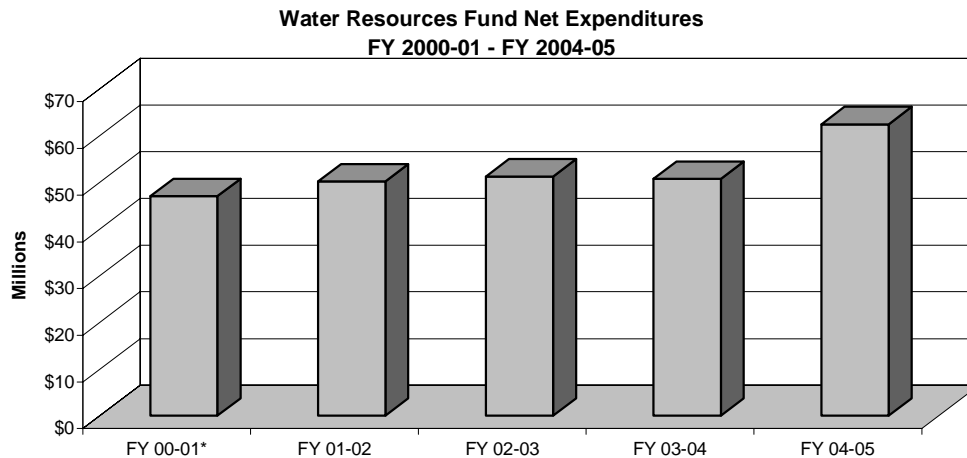
The decrease in expenditures from FY 00-01 to FY 01-02 is due to a large portion of the expenses associated with the Stormwater inventory mapping project being recorded in FY 00-01. Much of the decrease from FY 01-02 to FY 02-03 can be attributed to the fact that no transfer was made to the Stormwater Capital Improvements Fund. In previous years, the department had used much of its fund balance on Stormwater Improvement Projects and rising operating costs were consuming recurring revenues.

In order to address this problem in FY 03-04, Stormwater received its first rate increase since the inception of the program in FY 93-94. In addition to a rate increase, a new rate structure was adopted that shifted from a flat rate in which all residents paid the same fee to a 3-tiered structure in which the amount paid by residents is dependent on the amount of impervious surface area on that resident's property. The additional revenue generated from this increase allowed Stormwater to transfer funds to the Stormwater Capital Improvements Fund in FY 03-04 and FY 04-05 in the amounts of \$834,000 and \$2.8 million respectively. This transfer accounted for over \$2 million of the \$2.6 million increase from FY 03-04 to FY 04-05. The increased revenue will eventually provide support for a revenue bond dedicated to the Stormwater Capital Improvement Program.

Water Resources

The Water Resources Fund accounts for all operations and activities of the Water Resources Department. This includes maintenance of three surface reservoirs and two wastewater treatment facilities. Also included in this fund are expenses for water and sewer line maintenance, pumping station maintenance and the installation and maintenance of customer connections.

From FY 00-01 to FY 04-05, expenditures in Water Resources increased an average of 7.7% percent per year or 32.8% overall. In addition, the number of FTE's increased by 6.6% or 19.75 FTE's.



Water Resources Fund Net Expenditures/Debt Service

	FY 00-01*	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Operating Expenditures	\$ 46,951,625	\$ 50,102,326	\$ 51,196,505	\$ 50,712,210	\$ 62,374,884
Debt Service	\$ 8,098,990	\$ 8,366,110	\$ 10,104,208	\$ 11,023,302	\$ 13,534,765
Debt Service %	17.2%	16.7%	19.7%	21.7%	21.7%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05;

City of Greensboro Financial Systems

* FY 00-01 excludes one time \$10.1 million Water Resources bond refinancing payment.

As indicated in the table above, debt service continues to make up a significant percentage of the budget for Water Resources. As a percentage of the budget, Debt Service has increased from 17.2% to 21.7% and has increased by \$5.4 million (67.1%) overall. In addition to increasing Debt Service payments, Water Resources has increased its transfer to the Water and Sewer Capital Project fund consistently over the last five years. Nearly \$9.1 million of the increase from FY 03-04 to FY 04-05 can be attributed to Debt Service and the transfer to the Water and Sewer Capital Improvements Fund. To support these increases, general rate adjustments have been implemented annually from January 2001 through January 2005. Despite these increases, Greensboro's resulting rate structures are still competitive when compared with other major cities in North Carolina.

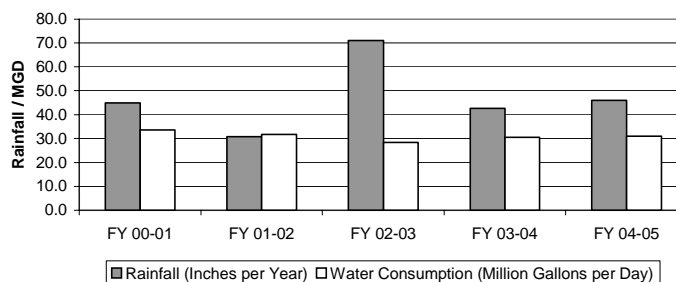
Expenditure increases have been driven largely by water supply issues. In addition to agreements to purchase water from some surrounding cities and the capital expenses associated with the building of those lines, Water Resources has also constructed a water line and pump station that allows the City to receive water from the Haw River and has been one of the primary funding sources for the Randleman Dam project. These projects have significantly improved and stabilized the water supply situation for the City. In FY 00-01, average daily consumption represented an unsustainable 105.0% of the City's Safe Daily Yield. This percentage decreased steadily over the next five years to only represent 76.5% of Safe Daily Yield in FY 04-05.

In addition to the projects listed above Water Resources has funded an extensive list of capital improvement projects over the last five years. These projects include facility improvements and upgrades at both Lake Townsend and Mitchell Treatment Plants, replacement of the Reedy Fork Lift Station, North Buffalo Sewer Improvements, implementation of Automated Meter reading, and general improvements to the sewer system along with expansion of the water supply system. General rehabilitation of the aging water and sewer system along with new expansion will continue to be an area of emphasis in coming years.

Given the increasing costs for debt service and capital projects, it will become increasingly important to monitor revenues to detect any adverse effects, conservation, rate hikes, and/or rainfall may have on revenue trends. The Consumption versus Rainfall graph demonstrates the effects outside variables may have on water consumption, thus directly affecting revenues. As rainfall decreased from FY 00-01 to FY 01-02, mandatory water restrictions were put in place to maximize conservation efforts and ease demands on the decreasing water levels in the City's reservoirs. The mandatory restrictions were in place from December 3, 2001 – November 14, 2002.

Thanks in part to record high rainfalls in FY 02-03 and to water conservation campaigns, water consumption did not immediately rebound when the restrictions were lifted. Despite rainfall levels in FY 03-04 and FY 04-05 near or above the levels received in FY 00-01, water consumption in FY 03-04 and FY 04-05 was below the FY 00-01 level.

**Water Consumption versus Rainfall
FY 2000-01 - FY 2004-05**



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Yearly Rainfall	45.0	30.7	71.0	42.6	46.0
Average Daily Consumption	33.6	31.8	28.4	30.5	31.0

Source: City of Greensboro Water Resources

Greensboro Service Area Summaries

CULTURE AND RECREATION SERVICE AREA SUMMARY

Operating expenditures decreased largely last fiscal year as a result of significantly less program activity at the Coliseum Complex and other cost containment efforts.

Description

The Culture and Recreation Service Area includes Parks and Recreation Department services, Libraries and Historical Museum, the Bryan Park and War Memorial Coliseum Complex Enterprise Funds as well as a large variety of non-departmental culture and recreation activities. The Hotel/Motel Occupancy Tax Fund is also included in this service area.

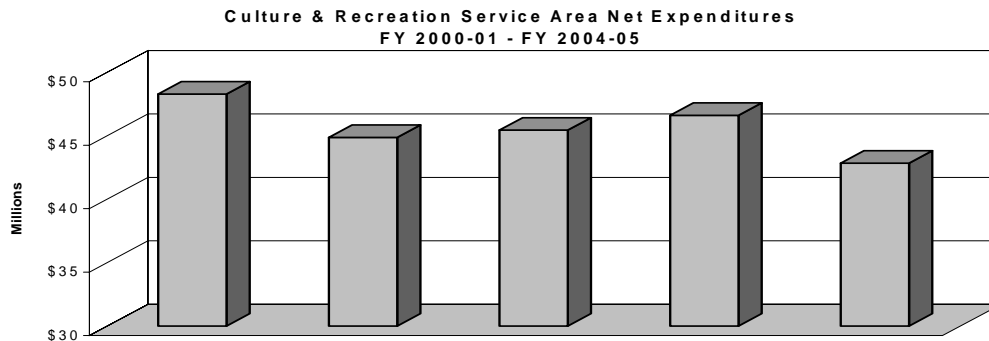
Analysis/Data

During this five year period, total net expenditures for Culture and Recreation actually fell, from \$48.3 million in FY 00-01 to \$42.9 million FY 04-05. As a percentage of total next expenditures, culture and recreation expenditures fell from 16.5% in FY 00-01 to 13.3% in FY 04-05.

This reduction results from a variety of factors, including significant changes in management structure in some service areas and dramatic fluctuations in Coliseum programming and related expenses. During this time period, the management of Bryan Park was placed under a third party agreement, greatly reducing the expenditures for park maintenance that are recorded in the city's budget. After several years of expenses recorded in the \$12-\$14 million range, the Coliseum booked only about \$10 million in FY 04-05, the result of both reduced programming and cost containment measures instituted by Coliseum staff.

Although overall expenditures shown in this service area declined over the review period, there were several enhancements implemented, particularly in Parks and Recreation and Libraries. These included such enhancements as the opening of two regional branch libraries, the purchase of the Sportsplex Complex and increased turf and athletic field maintenance.

Additional discussion is available in the various sections indicated below.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 48,295,410	\$ 44,882,272	\$ 45,455,461	\$ 46,614,519	\$ 42,844,727
% Change		-7.1%	1.3%	2.5%	-8.1%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

Bryan Park Enterprise Fund

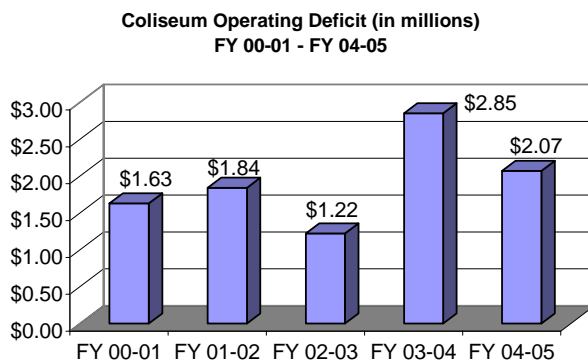
Management of the Bryan Park Golf Operations and Enrichment Center was privatized and control was given to Bryan Park, LLC, a limited liability corporation, effective May 1, 2003. Only 1 FTE remains at Bryan Park to provide routine building maintenance for which the contracted manager pays \$47,781 annually. The budget for the Bryan Park Enterprise Fund fell dramatically with this agreement from \$2 million in FY 02-03 to only \$230,000 in FY 03-04. Annual General Fund support for the golf course is around \$240,000, compared to annual support of around \$600,000 prior to this agreement.

Coliseum Complex Fund

The War Memorial Coliseum Fund accounts for all operations activities of the War Memorial Coliseum Complex. This includes the Arena, the Special Events Center and Pavilion and the War Memorial Auditorium. Events held at the Complex include conventions, concerts, consumer shows, sporting events, family shows and trade shows.

Over the course of the past five years, the Coliseum Fund has posted average operating deficits of \$1.9 million, a value of less than one cent on the property tax rate. The Coliseum used aggressive recruitment of consumer and entertainment events along with continual pursuit of cost containment measures, including staff reductions and outsourcing of selected activities, to keep operating deficits steady or actually decreasing through most of this time period. As of FY 04-05, the Coliseum is carrying about 20 fewer full time equivalent positions (FTE) than just three years prior. FY 02-03 saw one of the facility's best years in recent history, with attendance reaching nearly 1.4 million.

The pattern of reduced deficits has not been sustained since FY 02-03. A drop in event performances from 875 in FY 02-03 to 734 in FY 04-05, plus an attendance drop from 1.4 million to just over a million, contributed to higher deficits posted during this time. Deficits were \$2.85M and \$2.07M in FY 03-04 and 04-05, respectively. A portion of the FY 03-04 budget was offset using proceeds from the Coliseum's contracted concessions operation.



Source: City of Greensboro Financial Systems

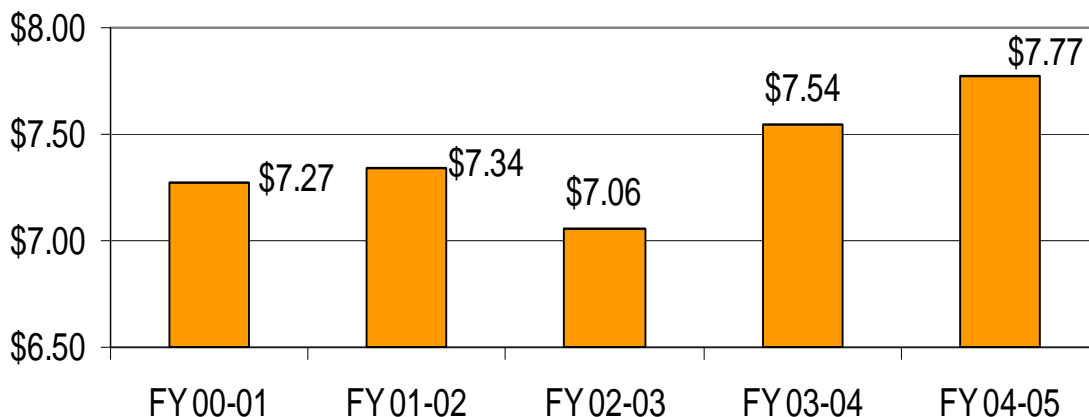
During the 5-year trend period, general fund contributions have ranged from a low of \$1.55 million to a high of just over \$2 million. The general fund contributions support the operations of the facility and can vary this much as a direct result of event programming that is scheduled to occur each year.

During FY 05-06, the general fund support is budgeted at \$1.8M. There are several high profile basketball events scheduled including both the Women's and Men's ACC tournament as well as the first and second rounds of the Men's NCAA Division I Basketball Championships.

Libraries

The five-year trend period has shown increases to the Libraries' operating budget as two new branches opened, the Hemphill Regional and Kathleen Clay Edwards Regional Branch Libraries during FY 04-05. Increases of 5% and 6% in Personal Services in FY 03-04 and FY 04-05, respectively, are associated with costs for the addition of new FTE positions for the branches. However, **new** branch-associated M&O expenditures declined as savings were realized from rental costs that were no longer paid. Major investments were made to the system's technology for computer accessibility at all branches as well as for the processing of collection inventory items. In addition, costs to increase the collection itself increased by approximately \$70,000. Technological enhancements to all branches have increased website hits and electronic assistance rates for the system. While the use of library cards has generally decreased over the last two years, current year data shows this trend to be rebounding.

Libraries' Operating Budget (in millions)

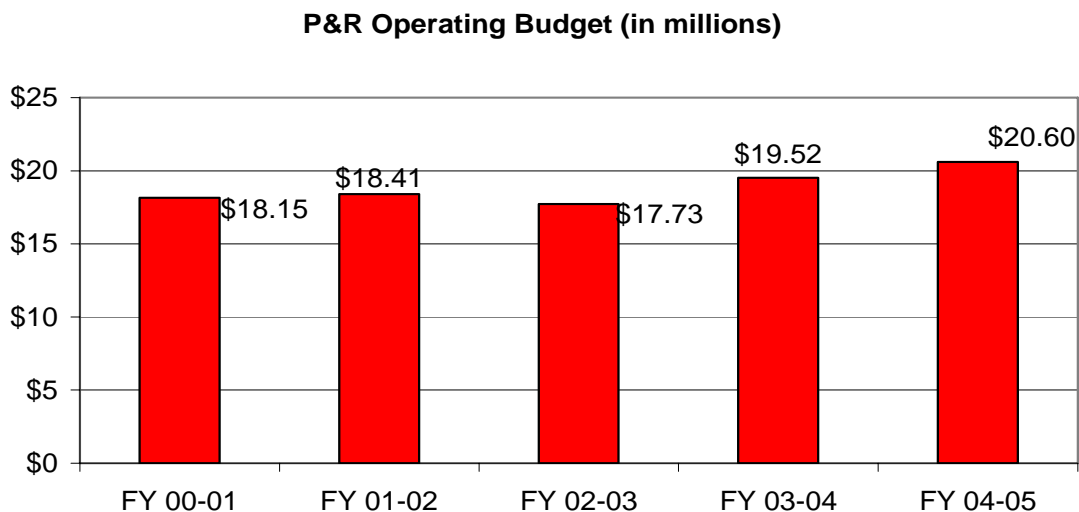


Some of Libraries' key performance measures over the trend period include:

- Total library visits have increased 11.44%
- The number of children's programs offered in the branches has increased 9.8%. Over 6,000 additional program opportunities have been added to branch offerings since FY 00-01.
- There has been a 5% increase in adult program attendance

Parks & Recreation

Actual expenditures for Parks & Recreation are shown in the chart below:



This time period saw Parks and Recreation expenditures fall during very tight budgets and then rebound in FY 04 and FY 05 with the addition of several program enhancements. Operating expenditures were affected in FY 02-03 from reductions made as a result of a loss of State-shared revenues.

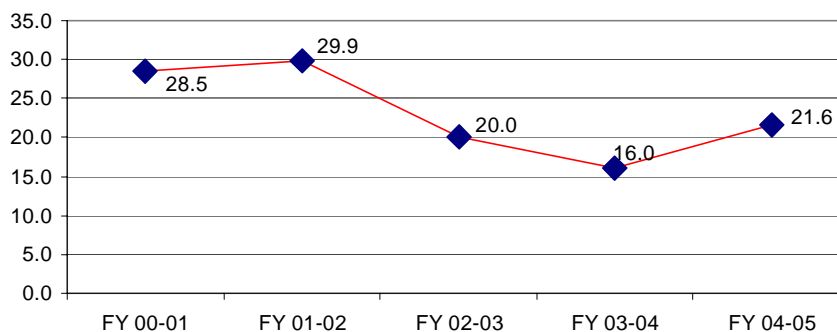
Keeley Nursery ceased operations in July, 2003 and several permanent reductions were made in the City Arts programs primarily in the areas of dance, music and drama. However, these program reductions have been offset by new facilities/program areas that have been added over the same five-year period. Effective, January, 2003, the City acquired the Greensboro SportsPlex. This facility has delivered strong results in terms of revenues as well as participation levels and variety of activities offered. Additionally, costs related to Carolyn Allen Park were incorporated into the FY 02-03 budget to prepare for its opening during FY 03-04 and maintenance of athletic fields with Guilford County per joint use agreements at schools caused more than \$200,000 in increased expenditures during FY 03-04.

An additional stress on the Parks and Recreation budget has occurred as a result of contracted street maintenance to maintain certain green-ways and medians over the five-year trend period such as the Martin Luther King, Jr. Drive and East Market Street corridors. This area of the budget has increased by more than \$400,000, or 78%, over the five-year period. Total acres maintained by both City crews and private contractors has grown from approximately 172 in FY 00-01 to approximately 217 in FY 04-05, or a 26% increase.

In FY 03-04, differential user fees for non-City residents were revised to more equitably recover actual costs in offering these programs to non-residents. The differential fee varies, depending on the program area and, in some cases, certain fees may have been reduced or did not increase at all (i.e. Summer Day Camp and Afterschool Programs).

Cost recovery at recreation centers had declined in FY 02-03 and 03-04, but appears to be recovering. The dip in cost recovery can be most directly

Cost Recovery Percent of Recreation Centers



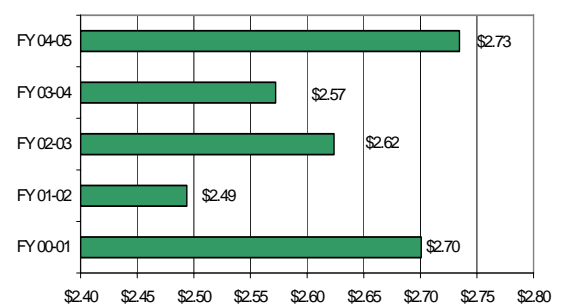
attributed to the implementation of a competing after-school program housed within Guilford County Schools. In FY 04-05, Parks & Recreation, reduced its fees for its after-school program

slightly (revenues dropped), but participation went back up, therefore cost recovery increased, but to a lesser extent than in previous years.

Miscellaneous Culture & Recreation

The City of Greensboro levies a 3% Room Occupancy Tax on all hotel/motel rooms within the City limits. Proceeds of the levy are distributed 80% to the city and 20% to the Greensboro Convention and Visitors Bureau. While the City is restricted to primarily using its share of the distribution to support debt service on improvements to the Coliseum Complex, the City may also incur certain marketing expenses up to \$200,000 annually. Actual revenues from the occupancy tax levied are shown in the accompanying chart.

Local Occupancy Tax (in millions)



This revenue stream has grown by approximately 1.25 percent over the 5-year trend period. Business and personal travel declined substantially in FY 01-02 following the events of 9/11 as a downturn in the economy, nationally and in the Triad. This negatively impacted Hotel/Motel Occupancy Tax revenues that year which fell by 8% (the lowest point since FY 98-99). A moderate rebound occurred in FY 02-03 that continues into the current fiscal year although general business travel has remained at a lower level. Annual revenue growth in the past three fiscal years has averaged 3% as compared to double digit increases throughout most of the 1990's. Revenues are projected to increase 4-5% for the next several years with area hotels and motels experiencing a positive trend in conference and personal travel.

Funding in this area also includes various non-departmental agencies, the Coliseum Fund and the Bryan Park Fund for the provision of various cultural and recreational activities in Greensboro. Agencies have varied over the five-year trend period as has the amount of funding for each. In FY 01-02, actual funding for these agencies was decreased by 25% from the adopted budget as a result of responding to State budget reductions. Funding has ranged from a low of \$3.08 million in FY 04-05 to a high of \$3.87 million in FY 00-01. The biggest recipients continue to be the Coliseum Complex and the Natural Science Center.

Greensboro Service Area Summaries

GENERAL GOVERNMENT SERVICE AREA SUMMARY

Technology, insurance expense changes and equipment lease needs tend to dominate this service area.

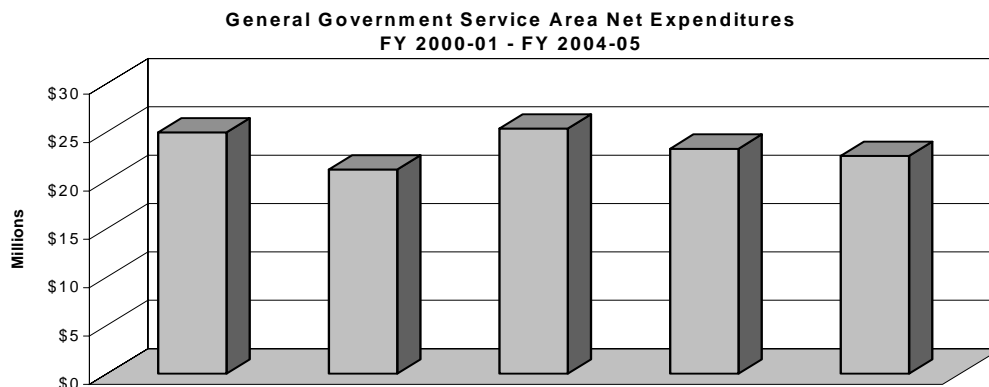
Description

General Government is the service area where many important support functions for the City's operating departments are located. This includes all of the Executive Offices, Budget & Evaluation, Finance, Legal, Internal Audit, Human Resources, Organizational Development and Communication, Technical Services, Equipment Services, Graphic Services, Engineering, and MIS.

Analysis/Data

A combination of unique project expenses designed to replace and improve the City's technology in particular service areas along with decreased programming in some areas contribute to the overall decrease in the General Government Service Area for the last two years. A considerable portion of the service area increase shown in FY 00-01 was due to capital expenses associated with implementation of integrated budget, financial and human resource software systems ("ERP"). A Voice Over Internet Protocol ("VOIP") phone system was implemented during FY 02-03, with the one-time implementation costs impacting that year. Increases in health insurance costs also contributed to the program area increase in FY 02-03 and were significant for FY 03-04 and 04-05 (\$1.1M and \$2M, respectively). Contact Center expenditures began in earnest in FY 03-04. However, almost all of the personnel costs associated with this project are reallocated resources from within the organization. These increases were offset by several program re-allocations/reductions. The dissolution of the City/County Telecommunications system to an exclusive City-operated system in FY 02-03 and contracting out of the Supply Room in FY 03-04 decreased operating expenses in this service area. In addition, use of the General Capital Projects Fund was decreased in order to help balance the General Fund budget.

Note: For the purposes of this analysis, \$2 million in storm clean up costs are excluded from FY 02-03 in the graph and table below.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 24,948,720	\$ 21,107,260	\$ 25,330,963	\$ 23,260,671	\$ 22,518,912
% Change		-15.4%	20.0%	-8.2%	-3.2%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

Greensboro Service Area Summaries

DEBT SERVICE AREA SUMMARY

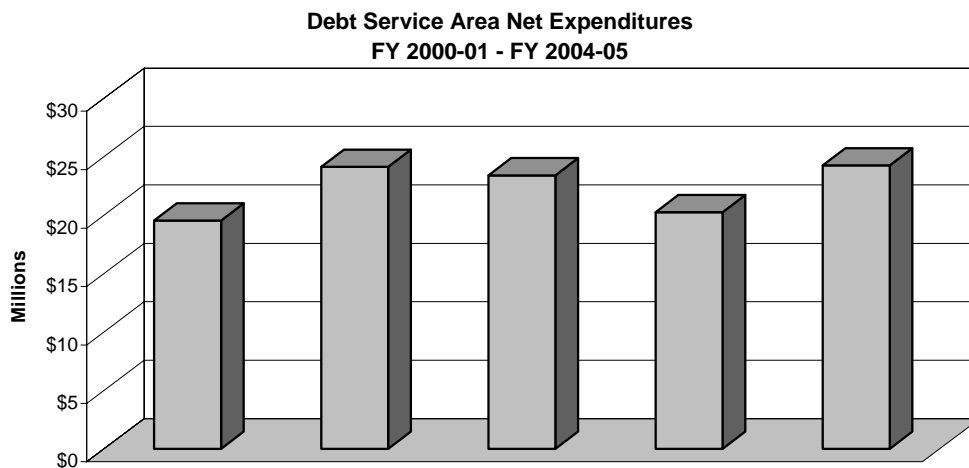
Debt Service operating expenditures vary from year to year depending on the timing of bond sales and varying lease payment schedules.

Description

The Debt Service service area includes the Debt Service Fund and the Capital Leasing Fund. This service area records the city's retirement of general debt obligations. Expenditures include principal and interest payments on the City's debt as well as administrative costs associated with selling bonds. The service area also includes payments on rolling stock, computers and other equipment that is lease-purchased by the City.

Analysis/Data

Much of the variance seen in this service area over the past five years is due to varying schedules of payments for leased computers and associated equipment and the postponement of general obligation bond sales due to budget constraints. Debt service costs show a substantial increase in FY 04-05 as several bond sales from the 2000 approved bond package were completed after years of postponement.



	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Net Expenditures	\$ 19,547,193	\$ 24,131,398	\$ 23,406,243	\$ 20,249,892	\$ 24,259,138
% Change	-19.25%	23.45%	-3.01%	-13.49%	19.80%

Source: City of Greensboro Annual Adopted Budgets, FY 2000-01 through FY 2004-05; City of Greensboro Financial Systems

Greensboro Service Area Summaries

GENERAL FUND

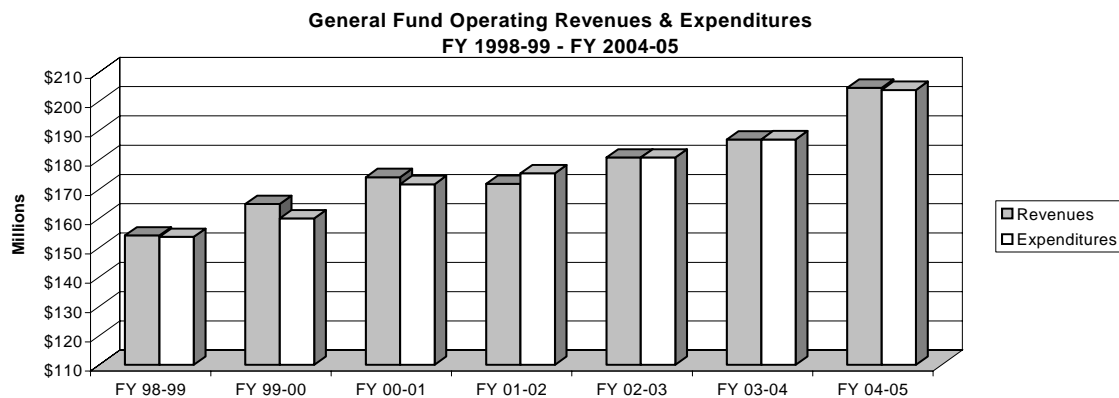
For much of this review period, Greensboro focused on basic services and cost containment as slow economic growth hindered any ability to expand services.

Description

The General Fund accounts for many of the traditional operations and support functions associated with local government. These include Police, Fire, Transportation, Parks and Recreation and Libraries. The General Fund also contributes between 30-40% of the annual operations costs for the Solid Waste Management function. Support departments and functions found in the General Fund include the City Manager's Office, Human Resources, Finance, Purchasing, Budget & Evaluation, Organizational Development and Communications and Management Information Systems.

Analysis/Data

Through the early part of the decade, the General Fund had only minor annual expenditure growth. From 2000/2001 through 2003/2004, annual expenditure growth, was 2.1%, 3.1% and 3.4% respectively. Property valuation growth slowed, particularly during FY02-03 and FY 03-04. Sales tax demonstrated similarly slow growth during this time period. During FY 01-02, The State of North Carolina began withholding considerable amounts of revenue previously shared with local governments. All of these factors placed considerable burdens on the General Fund budget through this time period.



Expenditures finally began increasing at a noticeable pace in FY 04-05 due to annexation, debt service needs and a change in how Solid Waste services are funded. The first city initiated annexation of any consequence for some time occurred in FY 04-05, adding about \$2 million in annual expenses to the General Fund, largely offset by new revenues generated through the annexation. The sale of bonds authorized in 2000 began to require increases in General Fund support for general obligation debt service costs. Finally, the monthly roll out solid waste fee user fee was eliminated and replaced with a larger General Fund contribution to the Solid Waste Fund.

Public Safety service area expenses grew from \$72.47 million in FY 00-01 to \$92.59 million in FY 04-05, an increase of almost 28%. Authorized Police strength grew by 129 net positions or 21%, from 609 full time equivalent (FTE) positions in FY 00-01 to 738 FTEs in FY 04-05. Fire Department authorized strength grew from 395 in FY 00-01 to 425 in FY 04-05, including additional positions for the Orchard Fire Station and the merger of volunteer Fire Station #14.

General Fund expenditures in support of Economic and Community Development Service Area fell during this time period from \$5.85 million in FY 00-01 to \$4.71 million in FY 04-05. The drop occurred in FY 03-04 as economic incentive payouts decreased from \$1.1 million to under \$300,000. Several outstanding incentive agreements had no activity during FY 03-04. In FY 02-03, General Fund support for the Nussbaum Housing Partnership Fund was reduced from one and one third cents of the property tax to one cent of the property tax. This number was adjusted in FY 04-05 to approximately 0.85 cents to account for revaluation of property. This adjustment did not lower the amount of subsidy being received by the Nussbaum Fund.

Culture and Recreation expenses grew by 8.07% during this five year time period, from \$29.29 million in FY 00-01 to \$31.66 million in FY 04-05. Particularly during the leaner years of 2001-2003, considerable effort was made to reduce costs in some program areas to help offset anticipated increases in others. Beginning in FY 03-04, the Bryan Park Golf Course operation was placed under private management, reducing the City's net operations costs for the facility. Reductions in areas such as City Arts programs helped offset increases in Parks and Recreation athletic fields and facilities maintenance costs, such as increased cost for field maintenance at the Bryan Park Soccer Complex. Likewise, the Library Department closed two branch facilities helping to underwrite the opening of two new branches that opened in FY 04-05.

Parks and Recreation expenditures began to grow again in FY 03-04 with the purchase and opening of the Sportsplex Facility and additional as the multi field Carolyn Allen Park opened and the city assumed responsibility for field maintenance at War Memorial Stadium.

Transportation Service Area expenditures, which in the General Fund includes the Transportation Department and General Fund subsidies for the various parking operations funds, increased 35%, from \$12.45 million in FY 00-01 to \$16.78 million in FY 04-05. Throughout this time period, Transportation has steadily increased efforts in asphalt maintenance in an effort to improve road conditions, particularly on major thoroughfares. Additional spending as required on some road annexed during FY 04-05 which were in need of immediate attention.

The City made progress on major technology issues during this time period, although often with delays due to restricted fund availability. New networked financial, personnel and purchasing systems came on line during 2003. Police technology improvements such as a new CAD system and new Records Management System are now in place.

As a further cost savings measure, the initial sale of a portion of the bonds authorized by the voters in 2000 was delayed until January 2003 to postpone debt service cost increases as long as possible.

FY 05-06 Update

The FY 05-06 General Fund Operating Budget was adopted assuming slight improvement in local and statewide economic conditions. After a 4% increase in sales tax revenue in FY 04-05, the FY 05-06 budget assumes an approximate 5% increase in FY 05-06. Property valuation growth projections ranged from 1.75% to 2%. Early indications are that sale tax revenue will reach the budgeted amount of \$37.9 million for the fiscal year.

Building permit revenue grew by 13% in FY 04-05, one of the strongest annual growth rates in recent history. Early projections for FY 05-06 indicate continued growth for the revenue source, although likely at a slower 5-8% growth rate. This growth rate would still exceed the amount budgeted for FY 05-06.

Inflationary pressures, particularly regarding fuel, are a major expense concern mid way through FY 05-06. Through the first six months of the year, operating expenditures (excluding debt service and interfund transfers) are at 49.3% of the annual budget, compared to 48.4% of budget through the first half of FY 04-05. At the current expenditure rate and using conservative revenue projections, the General Fund may have higher expenditures than revenues during FY 05-06. This would be the first time that has occurred since FY 01-02. To the extent that expenditures actually surpass revenues, this will restrict the available fund balance for use in future years. This situation will be monitored closely throughout the remainder of the fiscal year.